

眾安在綫財產保險股份有限公司

ZhongAn Online P & C Insurance Co., Ltd.*

*A joint stock limited company incorporated in the People's Republic of China with limited liability
And carrying on business in Hong Kong as "ZA Online Fintech P & C"*

(Stock Code : 6060)

INTERIM REPORT 2022



科技驅動金融 做有溫度的保險




* For identification purposes only





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Yaping Ou (*Chairman of the Board*)
Hugo Jin Yi Ou

Non-Executive Directors

Liangxun Shi
Gang Ji

Independent Non-Executive Directors

Shuang Zhang
Hui Chen
Wei Ou
Vena Wei Yan Cheng

Supervisors

Yuping Wen
Haijiao Liu
Limin Guo

AUDIT AND CONSUMER RIGHTS PROTECTION COMMITTEE

Hui Chen (*Chairman*)
Gang Ji
Wei Ou

NOMINATION AND REMUNERATION MANAGEMENT COMMITTEE

Shuang Zhang (*Chairman*)
Yaping Ou
Vena Wei Yan Cheng

STRATEGY AND INVESTMENT DECISION COMMITTEE

Yaping Ou (*Chairman*)
Hugo Jin Yi Ou
Liangxun Shi

RISK MANAGEMENT AND RELATED TRANSACTION CONTROL COMMITTEE

Wei Ou (*Chairman*)
Hui Chen
Vena Wei Yan Cheng

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

219 Yuanmingyuan Road
Shanghai
PRC

REGISTERED OFFICE

4–5/F, Associate Mission Building
169 Yuanmingyuan Road
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY SECRETARY

Yongbo Zhang

AUTHORIZED REPRESENTATIVES

Hugo Jin Yi Ou
Yongbo Zhang

LEGAL ADVISORS

As to Hong Kong and U.S. laws:
Skadden, Arps, Slate, Meagher & Flom

As to PRC law:
CM Law Firm

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants and Registered PIE Auditor

PRINCIPAL BANKS

ICBC Shanghai Branch Sales Department
China Merchants Bank Shanghai Branch,
Nanjingxilu Sub-branch

LISTING INFORMATION

Stock Code: 6060

COMPANY WEBSITE

www.zhongan.com

Management Discussion and Analysis

Opening Remarks

As the first Internet-based InsurTech company in China, ZhongAn upheld the mission of “empowering the finance business with technologies and providing insurance services with a caring hand”. We embrace the dual-engine growth strategy of “Insurance + Technology”, and integrate technologies into the whole insurance value chain. By empowering the insurance industry with technologies and adopting an ecosystem-oriented approach, we focus on the Internet life of consumers through proprietary channels and our ecosystem partner platforms, in order to meet the customer demand for all-round insurance protection by providing them with customized and diversified insurance services. We proved and upgraded our technology strengths in the operation of our insurance business, and empowered the global insurance industry by exporting technology to facilitate the digital transformation of industry players.

In the first half of 2022, amid gloomy global macro environment and the challenges posed by the resurgence of the pandemic, ZhongAn achieved resilient growth with a total GWP¹ of RMB10,515 million, representing a year-on-year increase of 6.8%, of which our core health ecosystem and digital lifestyle ecosystem achieved a year-on-year growth of 10.3% and 14.2%, respectively. Due to our persistent pursuit for “growth with quality” as well as the business strategy of “technology-driven cost control and efficiency improvement”, premiums grew resiliently and the combined ratio for the first half of 2022 was further improved by 0.2 percentage points to 99.2% from 99.4% in the corresponding period of last year, with the expense ratio decreasing by 7.0 percentage points to 43.0%. RMB81 million underwriting profit was recorded for the first half of 2022, representing an increase of 63.4% from the corresponding period of last year.

Segment Financial Highlights

The following table sets forth the profit/(loss) from each business segment in the first half of 2022. Specifically, the insurance segment offers a wide range of online property and casualty insurance business in the PRC; the technology segment provides information technology export related business to its clients; the banking segment offers virtual banking services in Hong Kong; and the others segment includes entities other than the aforesaid segments, which provide insurance brokerage, biotechnology services and digital life insurance in Hong Kong and etc.

Segment income statement for the six months ended June 30, 2022

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
GWP	10,518,489	—	—	256,092	(3,207)	10,771,374
Underwriting profit	83,929	—	—	—	(3,207)	80,722
Net investment income	274,478	390,275	52,987	14,986	(737)	731,989
Net fair value changes through profit or loss	(165,068)	(171,468)	—	(17,103)	—	(353,639)
Other income	63,491	236,357	100,089	177,907	(112,248)	465,596
Foreign exchange gains/(losses)	(315,890)	(6,271)	16,244	31,440	(38,287)	(312,764)
Finance costs	(207,339)	(3,308)	(8)	(762)	737	(210,680)
Net profit/(loss)	(305,296)	(16,426)	(212,832)	(123,078)	(22,078)	(679,710)
Attributable to:						
– Owners of the parent						(621,943)

Segment income statement for the six months ended June 30, 2021

RMB'000	Insurance	Technology	Banking	Others	Eliminations	Total
GWP	9,841,704	—	—	4,103	(336)	9,845,471
Underwriting profit	49,703	—	—	—	(292)	49,411
Net investment income	878,564	25,184	32,613	8,738	(1,030)	944,069
Net fair value changes through profit or loss	74,717	(18,750)	—	37,246	—	93,213
Other income	113,176	274,151	41,441	113,172	(64,568)	477,372
Foreign exchange gains/(losses)	51,736	(2,405)	4,285	(4,210)	4,843	54,249
Finance costs	(165,239)	(3,111)	(7)	(340)	1,026	(167,671)
Net profit/(loss)	1,029,287	(137,356)	(206,754)	(84,325)	3,281	604,133
Attributable to:						
– Owners of the parent						755,347

¹ Except for specifically explained, all data referred to in Management Discussion and Analysis contained the offset effect by segment; the insurance business referred therein does not include life insurance business in Hong Kong. Only the online property and casualty insurance business in the PRC is taken into account for underwriting profit.

Management Discussion and Analysis

Net loss attributable to shareholders of the Company in the first half of 2022 was approximately RMB622 million, which was mainly due to the significant decrease of investment income and the recognition of exchange losses relating to USD-denominated bonds. The specific performance of each segment is as follows:

- 1) Insurance segment: adhering to our strategy of “growth with quality” as well as “technology-driven cost control and efficiency improvement”, the combined ratio for the first half of 2022 further improved to 99.2%, representing an improvement of 0.2 percentage points as compared to the 99.4% of the corresponding period of last year. In particular, the expense ratio decreased by 7.0 percentage points to 43.0%. In the first half of the year, we achieved positive underwriting profit of RMB81 million, representing an increase of 63.4% as compared to that of the corresponding period of last year. Weak equity market performance this year led to a decline of investment income and the appreciation of the US dollar resulted in more than RMB300 million exchange loss on the Company’s US dollar-denominated notes, leading to a change from profit to loss for the insurance segment.
- 2) Technology segment: the technology segment recorded other income of RMB236 million, of which income generated from technology export was RMB234 million, representing a decrease of 12.0% as compared to the corresponding period of last year, primarily due to the postponement in project delivery and short-term negative influence on business development under the domestic pandemic situation in the first half of this year. We proactively adjusted our product matrix based on the market dynamics and customer needs, with efficiency as a priority, to focus on subscription products with higher gross margin. In addition, Grab was listed which we held shares in the first half of the year, deriving investment gains which further narrowed the net loss margin of the technology segment. Based on the foregoing, net loss of the technology segment in the first half of the year was approximately RMB16 million, representing an improvement of approximately RMB121 million as compared to the corresponding period of last year.
- 3) Banking segment: as ZA Bank is currently in high growth phase, segment income increased by approximately 106.7% in the first half of the year to RMB153 million, while net loss margin narrowed further, highlighting the cost control and efficiency improvement of technology empowerment.
- 4) Others segment: mainly represented ZA Insure, the digital life insurance segment in Hong Kong whose GWP was growing more than 60 times year-on-year in the first half of the year. The net loss of this segment was mainly due to the general and administrative expenses of ZA Life and other subsidiaries in the early stages of operation.

Our Ecosystems

The following table sets forth GWP in absolute amounts and as percentages of total GWP by ecosystem in the first half of 2022 and 2021:

Ecosystems	For the six months ended June 30					
	2022		2021		% of change	
	RMB'000	Percentage %	RMB'000	Percentage %		
Health	4,330,152	42%	3,925,738	40%	10%	
Digital lifestyle	3,819,423	36%	3,344,807	34%	14%	
Consumer finance	1,832,788	17%	2,193,241	22%	(16%)	
Auto	532,918	5%	377,582	4%	41%	
Total	10,515,281	100%	9,841,368	100%	7%	

The following table sets forth a breakdown of (i) GWP, (ii) net written premiums, defined as gross written premium less premium ceded to reinsurers, (iii) net premiums earned, defined as net written premiums less net change in unearned premium reserves, (iv) loss ratio, defined as net claims incurred as a percentage of net premiums earned, and (v) channel fees, defined as handling charges directly related to written premiums as well as commissions, technical service fees and other channel related fees, as percentages of net written premiums, by ecosystem in the first half of 2022 and 2021:

Ecosystems Data

	For the six months ended June 30	
	2022	2021
	RMB'000	RMB'000
Ecosystems		
Health		
GWP	4,330,152	3,925,738
Net written premiums	4,170,472	3,790,427
Net premiums earned	3,775,363	3,174,595
Loss ratio%	50.3%	37.1%
Channel fees as a percentage of net written premiums%	14.1%	27.9%
Digital lifestyle		
GWP	3,819,423	3,344,807
Net written premiums	3,807,102	3,341,441
Net premiums earned	3,818,713	3,256,000
Loss ratio%	66.2%	62.1%
Channel fees as a percentage of net written premiums%	33.6%	35.4%
Consumer finance		
GWP	1,832,788	2,193,241
Net written premiums	1,823,089	1,715,046
Net premiums earned	1,981,939	1,278,411
Loss ratio%	48.8%	38.9%
Channel fees as a percentage of net written premiums%	14.8%	16.2%
Auto		
GWP	532,918	377,582
Net written premiums	531,587	377,582
Net premiums earned	514,282	526,223
Loss ratio%	54.1%	71.5%
Channel fees as a percentage of net written premiums%	11.7%	13.8%

Management Discussion and Analysis

Health ecosystem:

With the resurgence of COVID-19 in China, in the first half of 2022, people's awareness of health protection has been further enhanced. In May 2022, the issue of the "Fourteenth Five-Year Plan for National Health Plan" (《「十四五」國民健康規劃》) (the "Plan") by the General Office of the State Council proposes to improve and strengthen the health industry and provide the masses with a full range of health services covering the entire life cycle, and also clearly points out that not only should commercial health insurance supply be strengthened, but also the application of "Internet+" in chronic disease management and medical services should be innovatively promoted. The Plan affirms the important value of Internet insurance in the implementation of the "Healthy China" strategic action, and also puts forward higher requirements for the development of the industry. In terms of product coverage, the Plan encourages the provision of expense reimbursement for special needs medical treatment, advanced medical technologies research, innovative drugs, and high-end medical device applications, meanwhile providing new health insurance products for services such as disease risk assessment, disease prevention, traditional Chinese medicine treatment, and sports and fitness. In terms of medical services, insurance companies are encouraged to launch managed care pilot projects and establish health management organizations to provide health insurance, health management, medical services, long-term care and other services.

With the further implementation of the "Healthy China" strategy, health management has become a new normal for health insurance products. As predicted by the Boston Consulting Group², driven by multiple internal and external factors, GWP of PRC commercial medical insurance will reach RMB933 billion in 2025, of which the mid to high end products will have 78% market share. Adhering to our commitment of "providing national medical insurance for over 100 million people", ZhongAn Insurance connects the upstream and downstream participants of the health industry, and builds a one-stop system of "insurance coverage + medical services". With the evolving needs of consumers, medical scenarios become more diversified in recent years. ZhongAn's product and service matrix started from million coverage medical insurance to explore specific insurance protection needs. Our product matrix further expanded to outpatient and emergency insurance, short-term critical illness insurance and hospitalization insurance. At the same time, we also focus on the specific needs of the chronic patients, the elderly, women, children and other subgroups, and launch tailor-made insurance products that capture mindshare of users. We are committed to covering a broader spectrum of population, and to improving the overall health of our users by providing them with refined operations throughout their life cycle.

In recent years, the "HuiMinBao" (惠民保) launched by local municipal governments has further stimulated users' health protection awareness and needs, and we have also actively participated in it to promote affordable insurance and universal health services. At the same time, we also actively leverage user insights and data analysis capabilities to continuously develop an upgraded product matrix based on "HuiMinBao" (惠民保), and have introduced various innovative supplementary solutions. In response to the spillover needs of users on the basis of million coverage medical insurance products, a one-year critical illness insurance has been launched, covering nearly 170 diseases, providing consumers with more flexible and affordable critical illness protection. As the pandemic has led to a surge in demand for online medical services, and users of internet medical services have further increased. We have also launched outpatient/emergency insurance to assist in users' ailments and chronic disease management in the post-pandemic era. During the Reporting Period, our outpatient and emergency insurance recorded approximately 360,000 claims. As of June 30, 2022 the outpatient and emergency products had recorded over RMB500 million of GMV since launch.

In terms of personal health, million coverage medical insurance products evolved from a single protection product for healthy people to a one-stop health management service including insurance coverage and value-add medical services and further expanded to more segments of population, including patients with chronic disease, such as hepatitis B, epilepsy, diabetes and chronic diseases, and specific groups with specific health protection needs such as children, women and the elderly. While providing insurance protection for patients with chronic diseases, it also brings full-cycle and inclusive health services such as online consultation, drug prescription, patient education on professional platform, chronic disease management, creating a new health management model designed around "chronic diseases". By the end of June 2022, we launched more than 42 chronic disease products in total. In addition, we also offer a series of customized products to meet the needs of specific groups of people, including juvenile leukemia insurance, insurance for women with specific high-incidence diseases, and cancer protection for seniors. By the end of June 2022, we had launched 42, 15 and 16 customized and exclusive products for children, women and elderly, respectively.

² "Develop through Accumulated Resources and Practice Earnestly: Five New Driving Forces of China's Commercial Medical Insurance" (《厚積薄發 篤行致遠：中國商業醫療五大新動能》)

We are committed to refined operation of every stage of users' health management and medical treatment, ranging from required medical care to optional medical care, and from consultation to post-operative nursing care, to achieve all-round full-process service coverage. In the first half of 2022, the Internet medical platform played an important role amid pandemic resurgence, further releasing the surging demand for remote health management of residents. We have fully integrated Internet hospital services into medical insurance products. Through ZhongAn Internet Hospital, we provide eligible users with health management services. As of June 30, 2022, ZhongAn Internet Hospital had more than 3.7 million registered users, representing an increase of more than 4 times year-on-year, and served more than 210,000 users. Our green channel services for critical illnesses have covered 31 provinces across the country, more than 900 hospitals, and a total of more than 2,600 fast pass channels have been arranged to connect with high-quality medical resources. Our hospital advance payment service network covers 83 major cities, and the advance payment review can be completed within 10 minutes at the fastest. Since the service was launched, it has provided more than 15,000 inpatient medical advances payments and paid medical expenses of more than RMB390 million.

We also brought the accumulated million coverage medical insurance product know-how, user operational experience and health ecosystem resources to group insurance employee benefit products and service plans to provide flexible and customized group medical service plans for corporate customers, helping enterprises enhance medical protection for employees and improve the competitiveness of enterprises in the job market. In the first half of the year, the premiums of our group health insurance business reached RMB312 million, covering more than 850,000 employees from more than 15,000 companies, representing a year-on-year increase in GWP of 46%.

We have been focusing on the user-centric product strategy for a long time, constantly enriching our ecosystem-oriented product matrix and improving service capabilities. The long-term value to users has been continuously highlighted. Leveraging our medium and long-term business development in health ecosystem, in the first half of 2022, the health ecosystem provided health insurance and medical services to 10.92 million users and recorded RMB4,330 million of total GWP, representing an increase of 10.3% from the corresponding period of last year. The number of paying users of the health ecosystem was 8.96 million, individual multi-policies users (個險多保單用戶) contributed more than 33% of premiums, the overall premiums per user increased by 5% to approximately RMB451 from the corresponding period of last year. The users of our Personal Clinic Policy (尊享e生) products were at an average age of around 40.

In terms of operating metrics, the loss ratio of the health ecosystem in 2022 was 50.3%, with a year-on-year increase of 13.2 percentage points. On one hand, in 2022, we further upheld the concept of inclusive health and launched more products with high cost performance and low compensation threshold as well as the group health insurance business with higher loss ratio; on the other hand, we upgraded the original products and offered more value-added services to enhance the overall protection value of our health ecosystem insurance products on the users.

The channel fee ratio of the health ecosystem in the first half of 2022 was 14.1%, representing a year-on-year decrease of 13.8 percentage points, which was mainly attributable to the further increase in the contribution of premiums from the user-centric proprietary channels that we are deeply engaged in, continuous growth in cross-selling rate and further increase in the proportion of renewal premiums. It also benefited from the relatively low channel fee ratio of our group insurance businesses.

Adhering to the principle of "growth with quality", we will pay more attention to the services for users, enrich the product matrix of innovative scenarios, continuously improve user retention, seize user mindshare, and enhance long-term barriers to competition.

Digital lifestyle ecosystem:

Leveraging our user insights and data analysis advantage, and closely following the trend of digital life, we provide customized protection services in digital lifestyle scenarios, including e-commerce insurance products covering scenarios such as product return, product quality, logistics, post-sale services and merchant security deposits for e-commerce platforms. Our travel insurance products for flight accidents, flight delays, travel accidents, and flight or hotel cancellations, cover all major OTA channels in China. In addition, we continue to grasp the development of new consumption, use technology to empower business and explore new scenarios in users' digital life to enrich our product matrix. We strive to meet customers' individual protection needs by launching various innovative products, including various market leading products such as pet insurance, phone screen cracking insurance, accident insurance and household property insurance.

Management Discussion and Analysis

In 2022, at the background of pandemic resurgence, mobile payment gradually matured and the e-commerce penetration continuously increased. In the first half of the year, the pandemic in some spots impacted on the retail and tourism industries. However, according to the data released by National Bureau of Statistics, national online retail sales yet increased by 3.1% in the first half of 2022 as compared to the corresponding period of the last year to RMB6,300.7 billion as a result of issuance of multiple policies to stimulate the economy during the period, which included the Guidelines to Further Tap the Country's Consumption Potential to Boost Longer-term Consumption Vitality issued on April 25, 2022, A Package of Detailed Policy Measures to Further Stabilize the Economy issued on May 31, 2022 and other policies. Meanwhile, the e-commerce scene has gradually evolved from the traditional channel centered on "Search + Shelf" to live-streaming channel centered on "Recommendation + Contents". The market size of live-commerce in China will exceed RMB4.9 trillion in 2023³, at a CAGR of 47% from 2021 to 2023. While live-commerce became the new normal post pandemic issues such as commodity quality and refunds also attracted major attention. Based on our own technological strength and nearly 8 years of accumulated experience in traditional e-commerce channels, we are in a good position to create a better online shopping experience by providing the shipping return insurance to the consumers on livestreaming e-commerce platforms. During the Reporting Period, e-commerce business accounted for approximately 60% of the overall digital lifestyle ecosystem GWP amounting to RMB2,282 million. The premium contribution of shipping return policy from live-commerce increased by 18.6 times year-on-year to RMB1,158 million..

For innovative business, we keep up with the trends of new consumption and continue to leverage technology empowerment. To identify new revenue streams for digital lifestyle ecosystem, we successfully met customers' individual protection needs by promptly launching various new innovative products based on data analysis and user insights.

Based on our technological prowess and abundant offline resources in pet ecosystem, we are committed to pet insurance. Since the initial launch in 2020, our pet insurance has undergone several iterations. Now, it not only covers six types of pet spontaneous disease protection insurance, but also provides health management services, including deworming, vaccines, online consultation and nutritionist consultation, as well as value-added optional protection such as pet third-party liability and pet death compensation. Through cooperation with domestic top-tier pet service companies, we connect high-quality pet health management services with pet owners. As of June 30, 2022, our pet insurance service network connected with nearly 10,000 offline pet hospitals, covering major cities across China.

We have penetrated high-quality customers with our pet insurance and set up the pet service O2O model through our self-operated Petting Community and its strong offline pet hospital network. Thus pet owners are offered with extensive diversified offline pet service providers to continuously unlock cross-ecosystem synergies.

We have also actively participated in the infrastructure construction for pet ecosystem, and promoted pet smart management and pet retrieval services in cooperation with Hangzhou Municipal Government and Shaoxing Municipal Government. In the future, we will further our participation in the pet industry chain for an in-depth involvement in the pet economy. As of June 30, 2022, we provided services to over 2.90 million pet owners. During the Reporting Period, the annualized premium of pet insurance exceeded RMB100 million, with a year-on-year growth of nearly 100%, and our market share was among the top of the domestic industry.

Additionally, by focusing on the offline lifestyle of users and following the consumption hot spots therein, we launched a variety of fragmented and scenario-based insurance in good time. For sport scenarios, we further developed insurance product matrix, including skiing, cycling, outdoor camping, fitness and others, to provide a comprehensive service for users.

³ iResearch's "2021 China's Livestreaming e-Commerce Industry Report"

In the first half of 2022, as the air travel business was under pressure due to the resurgence of the pandemic, the GWP of air travel business was RMB661 million, representing a year-on-year decrease of approximately 27.9% and accounting for approximately 17.3% of the overall digital lifestyle ecosystem GWP. In the first half of 2022, the GWP of digital lifestyle ecosystem recorded RMB3,819 million, representing a year-on-year increase of 14.2%, among which, the proportion of innovative business including pet insurance, screen crack insurance for mobile phone and accident insurance for multiple scenarios amounted to RMB876 million, accounting for approximately 22.9% of the overall digital lifestyle ecosystem GWP and representing a year-on-year increase of approximately 30.9%.

During the Reporting Period, the loss ratio of the digital lifestyle ecosystem was approximately 66.2%, representing a year-on-year increase of approximately 4.1 percentage points, which was mainly attributable to the price cut of Shipping Return Policy initiated by e-commerce channels Taobao and Tmall since May 2021, to reduce the overall cost for merchants and to improve user experience. The channel fee ratio was approximately 33.6%, representing a year-on-year decrease of approximately 1.8 percentage points.

Consumer finance ecosystem:

Through cooperation with licensed financial institutions and by connecting with different kinds of Internet platforms via our cutting-edge technology, risk control and other technology strengths, we are committed to providing customers with credit enhancement services, and have developed leading technologies and risk control capacities in the consumer finance ecosystem. We have proactively expanded our cooperation with various Internet scenario-based platforms, such as Bestpay under telecommunication scenarios and IQIYI under video streaming scenarios. We have also provided consumer finance solutions to selected leading Internet finance platforms, such as Lexin and Mashang Consumer Finance by joint risk control and joint scenario-based operations. All of the funding providers that we cooperate with are licensed financial institutions.

In the first half of 2022, although the macroeconomic recovery was under pressure due to the resurgence of the pandemic in China, we firmly implemented strict risk control standards and focused on the quality and steady growth of our consumer finance business. Beginning from the second half of 2021, we moderately scaled down our business under consumer finance ecosystem based on macroeconomic trends. In the first half of 2022, our consumer finance ecosystem recorded GWP of RMB1,833 million, representing a year-on-year decrease of 16.4%. By closely monitoring macroeconomic indicators, we dynamically adjusted business scale and managed underlying exposure levels based on macroeconomic performance. As of

June 30, 2022, the outstanding loan balance of the consumer finance ecosystem was RMB20.3 billion, representing an increase of 4.6% from RMB19.4 billion as of December 31, 2021.

Our targeted customers of the consumer finance ecosystem are the young near-prime group in China, with good education and strong consumption demands. We also provide our diversified product offerings to the customer base in this ecosystem, to meet the multi-level protection needs of users.

In 2022, we continued our focus on small-ticket-size, dispersed and short-term Internet consumer finance assets. Through cooperation with licensed financial institutions and our industry-leading technology, risk control and other capabilities, we set insurance premium rates based on individual risk profile of the underlying assets and provided coverage with our credit guarantee insurance products. We constantly upgraded pricing model and implemented a prudent risk control strategy to ensure that the quality of our underlying assets would be under control.

In the first half of 2022, as the macroeconomy was under pressure due to the resurgence of the pandemic in China, the loss ratio of consumer finance ecosystem was 48.8%, representing an increase of 9.9 percentage points as compared with 38.9% for the same period of 2021. However, benefiting from the Company's prudent business strategy and iterative risk control models, the loss ratio was improved by 1.9 percentage points as compared with 50.7% for the second half of 2021.

The channel fee ratio of the consumer finance ecosystem for the first half of 2022 was 14.8%, down by 1.4 percentage points from 16.2% in the corresponding period of 2021 due to the scale back of the business.

Auto ecosystem:

We offer professional auto insurance and solutions as well as value-added services to protect our customers against vehicle damage, personal injury and death, as well as vehicle theft and robbery via the "Baobiao Auto Insurance" product. "Baobiao Auto Insurance" is based on the coinsurance model jointly developed with Ping An P&C. We connect with Internet platforms and automotive aftermarket service channels by leveraging our technology strengths to acquire customers, while Ping An P&C relies on its offline claim network to provide quality claim settlement services to users. Since January 2020, we began to implement the renewed coinsurance agreement with Ping An P&C, valid from January 1, 2020 to December 31, 2022. The cooperation framework largely remains unchanged. The premiums, claim payments and other costs for auto insurance shared between ZhongAn and Ping An P&C is split at a 50%:50% ratio.

Management Discussion and Analysis

Our major ecosystem partners include Internet platforms and automotive aftermarket service channels. Regarding cooperation with Internet platforms, we built up a great quantity of user insights and Internet operating capabilities by continuing to enhance cooperation with all kinds of ecosystem partners. We also connected with more long-tail offline automotive aftermarkets and other channels, such as auto detailing shops and body shops, through the SaaS platform and APIs, thereby allowing our products to efficiently reach more users without having to invest a large amount of human resource to connect and maintain the channels.

At the end of May 2022, a notable recovery of the auto consumption emerged following the introduction of the tax reduction policy. Relying on our refined operation and the opportunity we captured from the industry with rising prosperity, the GWP from auto ecosystem reached RMB533 million, representing a year-on-year increase of 41.1% and outpacing the year-on-year growth of 6% of China's auto insurance sector.

By seizing the opportunities for the new energy vehicle insurance and embracing policy dividends while enriching our database and improving pricing risk control model, ZhongAn will further serve new energy vehicle owners and bring new increment to the overall growth of auto insurance.

In 2022, the operating profit of auto ecosystem continued to improve. Affected by the resurgent pandemic and travel restrictions, the loss ratio of our auto ecosystem for the first half of 2022 decreased by 17.4 percentage points on a year-on-year basis to 54.1%, while the channel fee rate further improved by 2.1 percentage points to 11.7%.

Proprietary Channels:

We reach customers rapidly and precisely in creative ways. We are well positioned to navigate through the next stages of customer conversion and retention. We closely follow the latest cultural trends such as Chinese Fad and Hip-Hop among Millennials and Gen Z. By integrating brand building with our cultural insights, we have successfully deepened our customer interface and have seen higher level of activities among our users. Currently, we actively strengthen the linkage between brand spokespersons and our products through Summer Olympics, Winter Olympics and other major events, strengthen ZhongAn's brand awareness, and endeavor to gain the popularity among the consumers, in order to demonstrate the value of our brand building efforts.

Leveraging self-developed marketing tools, we connect all resources in public and private domains and conduct real-time monitoring and optimization of the entire marketing process. We have shifted our marketing efforts from streaming allocation to a higher level of gaining the popularity among the consumers, demonstrating distinctive strengths and differentiation of ZhongAn.

Leveraging up to 30 channels that directly reach users, such as APPs under the ZhongAn brand, mini programs, WeChat Official Accounts, WeChat Enterprise Accounts, mobile official websites, short video accounts, etc., we have established a service system integrating function and content with a variety of marketing methods. We rely on algorithms and data analysis to categorize users, customize different products and services, and awaken users to create greater value.

In the first half of 2022, the premiums of our proprietary channels reached RMB2.309 billion, representing a year-on-year increase of 49.1% from RMB1.549 billion for the first half of 2021, and its contribution to the Company's GWP reached approximately 22.0%, a further increase of 6 percentage points from 16.0% for the same period last year.

This year, we have exerted our efforts to create an intersection among those ecosystems and strived to provide our customers with an all-round guarantee with convenience and economical effects. Based on insurance coverage products related to our four major ecosystems, we have also expanded product series as well as our services covering medical health, family, pets and other services through our proprietary channels, providing better value for our customers. Based on our self-developed data and customer middle offices, ZhongAn has realized real-time data sharing across all ecosystems and conducted refined operation with each user as a unit to better serve users' entire life cycle.

R&D Investments and Technology Empowerment:

We continue to focus on the development of cutting-edge technologies including artificial intelligence, blockchain, cloud computing, big data and life science, aiming to reshape every stage throughout the insurance value chain with technology.

In the first half of 2022, ZhongAn invested RMB656 million in research and development activities, representing a year-on-year increase of 35.4% and accounting for 6.1% of total GWP. As of June 30, 2022, ZhongAn had a total of 2,104 engineers and technicians, which accounted for 49.4% of our total employees.

As of June 30, 2022, we had accumulatively filed applications for 545 patents, including applications for 174 overseas patents. As of June 30, 2022, we obtained 149 patents, representing a year-on-year increase of 65.6%. In addition, as of June 30, 2022, we had 34 PCT (Patent Cooperation Treaty) patent applications in total, covering 11 countries and regions. As of the same date, there were 26 overseas patents granted, representing a year-on-year increase of 73.3%.

As our cloud-native distributed insurance core system, "Wujieshan" is able to support a great number of individual policies. In the first half of 2022, we issued a total of 3,843 million policies and provided services to more than 500 million users. The user experience was greatly improved through technology empowerment with the online claim settlement rate exceeding 95%. Through the smart claim settlement for our health insurance, a claim settlement was completed every 28 seconds, and the waiting time for customers to receive claim payment was shortened by 57% year-on-year, which was attributable to the increased efficiency by 60 times than manual review through the intelligent compensation case review of screen crack insurance. With technology empowerment, the Company improved its operating efficiency.

Technology Export

On December 12, 2021, according to the 14th Five-Year Plan for Digital Economy Development (《「十四五」數字經濟發展規劃》) published by the State Council, by 2025, the additional value of the core digital economy industry will account for 10% of the GDP. Industrial digital transformation will reach a new level with a significant improvement in the level of digital industrialization. Digital public services will be more inclusive, accessible and equitable, and the digital economy governance system will be improved. The digital economy represents a new productivity and a new development orientation, and provides an important high ground for global technological innovation.

We have been deeply engaged in the Insurtech segment, developing and exporting our advanced experience and technology strengths in the Insurtech industry to facilitate digital transformation throughout the insurance industry through building digital new infrastructure. We have developed core digital insurance systems and scenario-based solutions for our customers in the insurance industry, and joined hands with Internet platforms to develop Internet ecosystem-oriented insurance solutions. Our revenue comprises of project fees, software licensing fees, technology service fees and subscription fees.

Our strategic positioning is not only a cutting-edge technology service provider, we also export and replicate our leading business models to both domestic and international insurance industry, and join our customers in exploring business model and product innovation in the Internet ecosystem. Our technology export business will therefore benefit from the growth of our customers' insurance businesses, achieving sustainable revenue growth that is aligned with the long-term interests of our customers.

We have developed mature Insurtech products and solutions covering comprehensive demands in each stage of the digital transformation of the insurance industry throughout operations (a fully digitalized process), technology (digital new infrastructure), data (in-depth insight into users to empower refined operation), and organizational management (online and professional training of insurance practitioners).

Our existing Insurtech product lines mainly fall into three series, namely, the business growth series, the business production series, and the business infrastructure series, covering the entire business processes of the insurance industry.

Management Discussion and Analysis

1) Business Growth Series

Business growth series includes the X-Man intelligent marketing platform and the X-Magnet advertising operation platform, mainly helping customers to build a sustainable marketing closed-loop to drive rapid user and revenue growth with one-stop services. The traditional insurance industry has several deficiencies in marketing such as limited formats of promotional activities, obscure user profiles or user insights, lack of in-depth analysis on the marketing results and inefficient implementation. With our intelligent marketing platform and advertising operation platform and exploration and analytics, our solutions help to efficiently target users and embrace various marketing scenarios and approaches, to drive growth for insurance industry participants with data analytics through the integration of "data + scenario + intelligent technology". We also help companies to build effective customer acquisition channels, continuously optimize customer acquisition costs, and establish sustainable and closed-loop user growth models. We have over 2,000 user tags, and an event can be launched in as quickly as 5 minutes. We have helped our customers reach more than 100 million users in total and the average efficiency can be increased by 80%.

2) Business Production Series

Through our business production series products, insurance companies, insurance brokerage companies and other players in the industry value chain can successfully complete digital transformation, serve users more effectively, and complete online policy issuance, claim settlement and other functions smoothly, including:

In the sales process, AI outbound call information platform provides one-stop solutions to enhance customer reach and marketing, grow ROI and renewal rate. We have developed online platforms catering to agents' digitalization needs on mobile end.

Our cloud-native distributed insurance core systems and brokerage systems support the entire life cycle operation of insurance business including policy issuance, check and claim settlement. In addition, it provides established product facilities and excellent underwriting capabilities with a high level of flexibility, configurability and automation. Business production series also includes products of business and data middle offices, various business application platforms and the middle office system. Our Insurtech products of business production series can enable customers to respond to big data, high-frequency and high-concurrency internet business scenarios so as to engage in online insurance business in a prompt manner. In addition, relying on a microservices-based structure with flexible scalability, business scalability of customers can be improved by connecting all business segments, breaking down the isolation of information and focusing on whole-process digital management of users. Connecting to over 1,000 channels, our business production series products can be launched in 1 to 3 days at the soonest and issue up to 54,000 insurance policies per second.

3) Business Infrastructure Series

Our business infrastructure series includes two modules, smart operation and maintenance and underlying infrastructure solution that runs safely and stably and supports high concurrency and elastic computing, including blockchain, information security and DevOps research and development efficiency system, which helps to deal with high-frequency under the context of Internet and provides stable and safe support for the customers in their pursuit for rapid business development.

Our R&D integrated project management platform helps customers publish daily for over 300 times online and the stability of business system reaches 99.99%. In terms of data management, we maintain daily data volume of more than 10 million, manage over 8,000 databases simultaneously, support over 10 types of databases and publish more than 30,000 times of data annually.

In terms of information security, we provide an integrated platform for insurance compliance, Web application security gateway, data leakage prevention system and other products to help customers build and improve the entire cyber security system, and provide customers with cost-effective and one-stop product solutions which allow cross-cloud environmental management deployment and are equipped with financial-level security management system standard, quickly meet grade-based security protection and compliance construction requirements, strengthen protection and empower business. As a result, our accuracy rate in identifying security risks reaches 98%, and the average daily interception of various system attack exceeds 740,000, and the availability of business system reaches over 99.99%.

In the first half of 2022, we recorded revenue from technology export of RMB234 million, representing a year-on-year decrease of 12%, mainly because 1) revenue from domestic technology export segment declined in the first half of the year due to the impact of the lingering domestic pandemic on business expansion and on-site delivery; and 2) we paid more attention to the quality of our business this year, proactively adjusted our business, reduced products and projects involving implementation and others with lower profit margins. During the first half of the year, we recorded a robust growth in revenue from overseas technology export despite the global economic slowdown. In the first half of 2022, we entered into contracts with a total of 52 customers in the insurance value chain, a net increase of 8 from the corresponding period last year. We have provided Insurtech business service to approximately 600 domestic and foreign customers. Our customer base in domestic market has covered industry-leading companies including Taiping General Insurance, CPIC Group, AIA Life, Manulife-Sinochem and HSBC Life.

In July 2022, ZhongAn Technology launched "Insurance Agents Core 2.0 (保險中介核心2.0)" for insurance agencies. Premised on "Compliance + Transformation" and aggregating 8 functional modules, the system connects high quality products from nearly 100 insurance companies including ZhongAn Insurance and reserves technical space for digital transformation while ensuring informatization compliance. In addition to technological capabilities, the Insurance Agents Core 2.0 also incorporates service functions such as intelligent customer service, insurance live broadcast, delivery operation and traffic conversion, realizing the innovation of the operation model during the entire user life cycle.

In the post-pandemic era, the traditional insurance industry is facing higher system requirements and challenges in digital transformation. ZhongAn Technology continues to help insurers improve time efficiency of development and operation and maintenance of system, to meet challenges resulting from high-concurrency, high-frequency and fragmented transactions in the context of mobile Internet. In 2022, we reached a cooperation with Manulife-Sinochem Life Co., Ltd. (中宏人壽保險有限公司) (the "Manulife-Sinochem") on a series of business infrastructure products, and implemented the R&D operation and maintenance (DevOps) platform project, which improved the R&D efficiency of Manulife-Sinochem's production and research team by 20%, and recorded a 5 times increase in demand delivery speed with a 70% decrease in defect density.

Management Discussion and Analysis

ZhongAn Technology will continue to explore the huge market potential of compliance technology, keep prompt tracing of the development of compliance technology, and help insurers and intermediaries to address compliance deficiencies related to regulatory data docking, data quality management, anti-fraud and elderly-friendly during the digital transformation of insurance companies and intermediaries. On the basis of this, we will further look into long-term value of customers and support their digital transformation in various aspects such as business development, technology, data and organizational functions through intelligent marketing system, insurance middle office, DevOps research and development efficiency system and other mature product series.

Through cutting-edge Insurtech solutions with standardization, integration of products and life insurance, high availability, high reliability and satisfaction of main demand of Internet insurance market, abundant industrial knowledge and experience accumulated in Asia, we helped more partners conduct transformation of business digitalization and renovative growth.

In the first half of the year, we further expanded into more segments in the domestic technology market, including banks and securities firms, having served 5 banks and securities firms in total. By exporting products including visual backtracking, agency middle office, as well as operation and maintenance, we have broadened the market space for technology export. In June 2022, we officially reached a cooperation with a leading domestic securities firm centered on the DevOps platform, which marked an important step for ZhongAn Technology to explore general product services and underlying technical architecture in the pan-financial industries such as banking, insurance and securities. ZhongAn Technology helps clients to improve the lean management and efficiency of its internal R&D process, reduce the cost of operation, maintenance and management, build a solid technical foundation for the digital transformation of the securities industry, and is committed to realizing the localization of technology and promoting the development of financial innovation.

ZA Tech, our technology subsidiary, focuses on exporting our advanced technology experience and strengths to international customers, and is committed to becoming a new standard for digital insurance. At present, our footprints are all over Japan, Singapore, Thailand and other Asian markets. In 2021, we further expanded the territory of Insurtech to Europe, and we have completed the launch of our first customer product. In 2022, we continue to expand our territory and reach cooperation with new insurance customers in Europe.

The partners we serve can be divided into two categories: insurance companies and Internet platforms. For insurance company customers, Graphene, the next-generation distributed insurance core system we built, can help customers connect with various ecosystem partners locally and launch a variety of fragmented and scenario-based protection products. For Internet platform customers, we provide an overall insurance and financial solution, Fusion.

In the first half of 2022, we further developed our already-expanded overseas markets. In April 2022, ZA Tech reached cooperation with Aladin Bank, the first Islamic digital bank in Indonesia. Both parties will focus on long-term strategic cooperation, including insurance product development and technology export. Aladin Bank, as a new type of Islamic bank, is committed to expanding the Islamic finance territory in Indonesia. By conducting insurance transactions through modern digital means, a wider group of people in Indonesia can have access to digital insurance products at a more affordable price. In the first half of 2022, revenue from international technology export was RMB123 million, accounting for 53% of total technology income, among which, the proportion of recurring income⁴ increased to 49%.

⁴ Recurring income represents the types of income which are expected to recur in the next year, including, among others, the types of income from SaaS subscription, and system maintenance and upgrade.

Virtual Bank and Digital Life Insurance in Hong Kong

As the first licensed virtual bank in operations in Hong Kong, ZA Bank stood out in the highly competitive Hong Kong market with its smooth user experience, rapid iteration and comprehensive product matrix within only two years since its official opening. It has become the first virtual bank in Hong Kong to offer one-stop 24/7 financial services, including deposit, loan, transfer, consumption, insurance, investment and commercial banking, to cater for the wide range of financial demands of its users. We are committed to redefining customers' financial experience through technologies, and realizing service upgrade and creating one-stop financial service experience for customers in Hong Kong by virtue of prominent customer insight and product innovation capabilities as well as business qualification advantages, driving Hong Kong towards a new era of "virtual banking 2.0".

In the first half of the year, ZA Bank achieved steady growth despite the pandemic and macroeconomic pressure in Hong Kong. As of June 30, 2022, ZA Bank had more than 600,000 retail users, with a deposit balance of over HK\$8 billion and a loan balance of over HK\$4 billion, maintaining its status as the No. 1 virtual bank in Hong Kong. During the Reporting Period, ZA Bank's revenue reached approximately RMB153 million, a year-on-year increase of 106.7%. Since its official opening in March 2020, ZA Bank has always adhered to the concept of innovation, integrity and user first, constantly polishing and upgrading products and service experience, injecting new vitality into the digital development of Hong Kong's financial industry.

In January 2022, ZA Bank became the first virtual bank in Hong Kong to be granted a Type 1 regulated activity (dealing in securities) license by the Securities and Futures Commission, and officially launched more than 50 fund distribution products in August 2022 to provide fund investment services to bank users.

In April 2022, ZA Bank launched a bancassurance business cooperation with Generali Insurance Hong Kong, creating the only new O2O bancassurance model in Hong Kong. This cooperation was the first partnership in Hong Kong formed by an internationally renowned insurance company and a leading virtual bank in Hong Kong, combining the century-old expertise of Generali

Insurance and fintech advantages of ZA Bank, with the common goal of providing quality and innovative financial products to allow customers to manage their personal finance and protection more flexibly and independently. Generali Insurance Hong Kong has launched life insurance products on the ZA Bank App. In the first phase of the partnership, five comprehensive life products have been offered, including critical illness, savings, retirement, qualified deferred annuity policies and premium-rebate life plans.

In June 2022, taking advantage of the opportunities brought by the 2022 (Phase II) Consumption Voucher Scheme of the Hong Kong Government, ZA Bank launched the extra offer for account opening in partnership with Octopus, the stored value facility that most Hong Kong citizens choose to collect consumption vouchers, demonstrating a collaboration that combines ZA Bank's leading innovative services, the convenience and accessibility of the ZA Bank App, as well as Octopus's extensive network of users and merchants, with an aim to jointly help Hong Kong's digital economy bloom in the post-pandemic period and delight users with every interaction of financial products and services.

In terms of virtual insurance business, ZA Insure strictly adheres to its mission to provide protection for customers, and provides local residents with insurance products and services that "everyone can afford" through a 24/7 online platform, including life insurance, voluntary health insurance, cancer insurance, accident insurance and cardiovascular disease insurance. In 2022, ZA Insure successively launched "ZA Savings Insurance" series and "ZA Voluntary Health Insurance" to provide fundamental protections for users' health and wealth. During the Reporting Period, ZA Insure achieved a total premium income of RMB256 million, representing a year-on-year increase of approximately 61 times. Users can now get insurance products provided by ZA Insure in the ZA Bank App in as fast as 3 minutes.

As the only fintech company in Hong Kong with both a virtual banking licence and a digital-only insurance licence, ZATI will continue to leverage its advantage of dual licences to create the first fully digital bancassurance for users in Hong Kong through the ZA Bank App.

Management Discussion and Analysis

Looking forward, ZATI will continue to leverage synergies of its brands to further upgrade user experience and create more values for users in terms of digital wealth management experience in the future. We will continue to assist Hong Kong in developing fintech, building a financial center with global financial impact and promoting inclusive finance.

Asset Management of Onshore Insurance Funds⁵

As of June 30, 2022, we had total investment assets in domestic insurance funds of approximately RMB37,442 million, among which cash and amounts due from banks and other financial institutions represented 4.2%, fixed income investments represented 69.6% (out of which bonds and bonds funds represented 53.1%, term deposits and money market funds represented 1.1% and other fixed income investments represented 15.4%), equity and equity funds represented 10.8% and unlisted equity investments represented 15.4%. Our total investment income of insurance business was approximately RMB110 million (in the first half of 2021: approximately RMB1,020 million).

In 2022, challenging global macroeconomic environment and sluggish capital market sentiment, leading to CSI 300 dropping by 9.2% and continuous segment performance differentiation in the first half of the year. Due to the impact of the pandemic, geopolitics and other factors, the Company recorded a year-on-year decrease in investment yield of asset management of insurance funds because of the combined effect of volatile capital markets, fluctuating market interest rate and increased impairment provisions. The total investment income was RMB110 million, down from RMB1,020 million in the corresponding period of last year and the net investment income⁶ was RMB275 million (RMB945 million in the first half of 2021) and net fair value loss was RMB165 million (net fair value gain of RMB75 million in the first half of 2021).

The total investment yield and net investment yield was approximately 0.3% and approximately 1.1%, respectively (non-annualized total investment yield and net investment yield for the first half of 2021 was approximately 3.5% and approximately 1.3%, respectively).

The Company will continue to optimize the asset allocation of insurance funds, and focus on the balance between the allocation of assets with long-term stable income and short-term trading opportunities in the capital markets. The Company has always attached great importance to the research on macroeconomic strategies and underlying assets. The Company takes advantage of risk asset investment opportunities to a moderate extent with low-risk fixed-income assets as the core, and continues to pursue excess return from asset allocation and underlying assets while ensuring that assets and liabilities are matched. Currently, the overall portfolio credit position remains sound. As of June 30, 2022, out of the domestic credit bonds we invested in, 99.8% received external credit bonds ratings of AA (domestic) level or above and approximately 89.0% received external credit bonds ratings of AAA (domestic) level.

The Group has implemented HKFRS 9 from January 1, 2022. Given the intensified fluctuations in investment income as a result of market volatility, the Company will continue to dynamically adjust the allocation proportion of equity and further mitigate risks of its investment portfolio through asset allocation diversification, thereby reducing the impact of equity market volatility under the new standards.

In the second half of 2022, our asset management business will always adhere to a sound and prudent investment philosophy. Based on the pre-judgement of the macro economy and risk/return of various asset classes, we will strengthen asset allocation management and risk management to seize investment opportunities in capital markets and continue to serve the needs of insurance fund asset management.

⁵ refers to the asset management of onshore insurance funds only

⁶ Investment income: net interest income of insurance business, dividend income, realized investment income and share of net profit/(loss) of associates and joint ventures less impairment relating to investment assets.

Outlook

In future, we will continue to stick to the two-winged growth strategy of “Insurance + Technology”, adhere to “sustainable growth with quality”, enhance brand building, and meanwhile, we apply technology development and innovation to the whole process of insurance and continuously optimize underwriting efficiency and customer experience. In addition, we will continue to export our insurance technology capability to domestic and overseas markets to empower all participants from upstream to downstream of the whole insurance industrial chain, thus making us the best partner during the digital transformation and upgrade of the global insurance industry.

FINANCIAL REVIEW

For the six months ended June 30, 2022, we continued to take advantage of development opportunities in the PRC InsurTech market and achieved steady growth and improved profitability. We focused more on business quality and invested more in fine management and data-driven operations. For the six months ended June 30, 2022, the Group’s total income reached approximately RMB11,187 million, representing a year-on-year increase of approximately 14.7%.

The following table sets forth the comparative figures for the six months ended June 30, 2022 and the six months ended June 30, 2021:

	For the six months ended June 30	
	2022 RMB'000	2021 RMB'000
Total income	11,187,453	9,752,642
Net (loss)/profit for the period	(679,710)	604,133
Total comprehensive income for the period	(790,980)	555,061
(Loss)/profit per share		
– Basic (RMB yuan)	(0.42)	0.51
– Diluted (RMB yuan)	(0.42)	0.51

Management Discussion and Analysis

The following table sets forth our key financial ratios as of or for the six months ended June 30, 2022 and the six months ended June 30, 2021:

	As of or for the six months ended June 30	
	2022	2021
Group		
Return on assets ⁽¹⁾	(1.2%)	1.6%
Return on equity ⁽²⁾	(3.8%)	4.7%
Gearing ratio ⁽³⁾	67.5%	62.7%
Net investment yield ⁽⁴⁾	1.2%	1.2%
Total investment yield ⁽⁵⁾	0.9%	3.2%
Insurance business		
Net investment yield ⁽⁴⁾	1.1%	1.3%
Total investment yield ⁽⁵⁾	0.3%	3.5%

Notes:

- (1) Return on assets equals profit/(loss) for the year attributable to owners of the parent divided by the average of the opening and closing balances of total assets of the period.
- (2) Return on equity equals profit/(loss) for the year attributable to owners of the parent divided by the average of the opening and closing balances of total equity attributable to owners of the parent of the period.
- (3) Gearing ratio is represented by total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets.
- (4) Net investment yield equals the sum of net interest income, dividend income and share of net profit/(loss) of associates and joint ventures for the period as a percentage of the average of the opening and closing balances of total investment assets of the period. The net interest income and the opening and closing balances of total investment assets of the period exclude the impact of USD notes issuance.
- (5) Total investment yield equals total investment income (defined as the sum of net investment income, net fair value changes through profit or loss and share of net profit/(loss) of associates and joint ventures less impairment relating to investment assets) for the period as a percentage of the average of the opening and closing balances of total investment assets of the period. The net interest income and the opening and closing balances of total investment assets of the period exclude the impact of USD notes issuance.

UNDERWRITING BUSINESS

The following table sets forth the selected financial data of the underwriting business of the Group (excluding Hong Kong life insurance) and their percentages to net premiums earned for the relevant periods:

	For the six months ended June 30			
	2022 RMB'000	Percentage %	2021 RMB'000	Percentage %
Net premiums earned	10,090,297	100.0	8,235,228	100.0
Net claims incurred	5,672,317	56.2	4,070,822	49.4
Insurance operating expenses	4,337,258	43.0	4,114,995	50.0
Underwriting profit	80,722	0.8	49,411	0.6

	For the six months ended June 30	
	2022	2021
Retention ratio ⁽¹⁾	98.3%	93.7%
Loss ratio ⁽²⁾	56.2%	49.4%
Expense ratio ⁽³⁾	43.0%	50.0%
Combined ratio ⁽⁴⁾	99.2%	99.4%

Notes:

- (1) Retention ratio equals net written premiums, which is gross written premiums less premiums ceded to reinsurers, as a percentage of gross written premiums.
- (2) Loss ratio equals net claims incurred as a percentage of net premiums earned.
- (3) Expense ratio equals insurance operating expenses expressed as a percentage of net premiums earned.
- (4) Combined ratio equals the sum of loss ratio and expense ratio.

Management Discussion and Analysis

1. Gross written premiums

GWP primarily include premiums written by us on insurance contracts issued or renewed for a given period, without deduction of premiums ceded by us to reinsurers.

Gross written premiums increased by approximately 6.8% from approximately RMB9,841 million for the six months ended June 30, 2021 to approximately RMB10,515 million for the six months ended June 30, 2022. We continued to optimize our product mix in order to fulfill high-quality growth. Benefiting from deep cooperation with our business partners and rapid development of our proprietary channels, we achieved steady growth in health insurance; benefiting from the growth of new e-commerce platforms such as short video and livestreaming platforms, other insurance witnessed a significant growth. Meanwhile, relying on our refined operation and the opportunity we captured from the industry with rising prosperity, premiums from auto insurance also increased. As macroeconomic recovery was under pressure due to the resurgence of the pandemic in China, strict risk control standards have resulted in a year-on-year decrease in the GWP for bond and credit insurance.

A breakdown of the GWP by insurance product type for the periods indicated is shown below:

	For the six months ended June 30		
	2022 RMB'000	2021 RMB'000	(% of change)
Health insurance	4,172,559	3,764,251	10.8%
Bond insurance	1,746,300	1,891,063	(7.7%)
Accident insurance	884,283	965,213	(8.4%)
Credit insurance	167,348	487,582	(65.7%)
Motor insurance	530,246	376,055	41.0%
Household property insurance	276,790	264,204	4.8%
Liability insurance	150,412	88,189	70.6%
Cargo insurance	34,853	86,352	(59.6%)
Others ⁽¹⁾	2,552,490	1,918,459	33.0%
Of which:			
Shipping return insurance	2,026,933	1,468,409	38.0%
Total	10,515,281	9,841,368	6.8%

Note:

- (1) The CBIRC recognizes the following types of property and casualty insurance products: accident insurance, bond insurance, health insurance, liability insurance, credit insurance, cargo insurance, household property insurance and others. "Others" primarily consists of shipping return insurance, which is categorized as such based on its policy terms in our periodic reports to the CBIRC.

2. Premiums ceded to reinsurers

The premiums ceded to reinsurers decreased from approximately RMB617 million for the six months ended June 30, 2021 to approximately RMB183 million for the six months ended June 30, 2022, and the premiums of bond insurance ceded to reinsurers decreased by RMB387 million.

The Company continued to carry out the stable ceding policy for the six months ended June 30, 2022. Reinsurance helps to diversify risk and support the Company's long term growth. The Company also continued to strengthen and deepen cooperation with reinsurers in other aspects. Our current reinsurer partners include, but are not limited to, General Reinsurance AG Shanghai Branch, China Peak Reinsurance Company Limited and The People's Insurance Company of China (Hongkong), Ltd.

3. Net premiums earned

Net premiums earned represent net written premiums less net change in unearned premium reserves. As a result of the increase in GWP, net premiums earned increased by approximately 23% from approximately RMB8,235 million for the six months ended June 30, 2021 to approximately RMB10,090 million for the six months ended June 30, 2022.

4. Net claims incurred

Net claims incurred represent insurance claims paid less claims paid ceded to reinsurers, as adjusted by net change in claim reserve. Net claims incurred increased by approximately 39% from approximately RMB4,071

million for the six months ended June 30, 2021 to approximately RMB5,672 million for the six months ended June 30, 2022, among which, net claims for other insurances increased by approximately RMB766 million, net claims for bond and credit insurance increased by approximately RMB407 million and net claims for health insurance increased by approximately RMB404 million.

5. Handling charges and commissions

Handling charges and commissions represent fees paid to insurance agents for the distribution of our policies less reinsurance expenses recovered. Handling charges and commissions decreased from approximately RMB1,133 million for the six months ended June 30, 2021 to approximately RMB1,026 million for the six months ended June 30, 2022.

6. General and administrative expenses

General and administrative expenses primarily include consulting fees and technical fees paid to our ecosystem partners, employee benefit expenses, advertising and marketing expenses, amortization of right-of-use assets, impairment loss of premium receivable and intangible assets, asset management fee, and other miscellaneous general and administrative expenses. General and administrative expenses amounted to approximately RMB3,394 million for the six months ended June 30, 2022, representing a year-on-year increase of 18%.

Management Discussion and Analysis

INVESTMENT BUSINESS

For the six months ended June 30, 2021, the Group's investing activities mainly consisted of (i) equity investment; (ii) proprietary trading of bond, investment fund and other asset management products; and (iii) entrustment of third-party asset management companies for purchase of stock, bond and other asset management products.

7. Composition of investment assets

We implement prudent risk management by establishing a comprehensive and integrated asset management framework to ensure that our assets are properly managed. The following table shows the composition of our investment assets:

	June 30, 2022		December 31, 2021	
	Balance RMB'000	Percentage %	Balance RMB'000	Percentage %
By category:				
Cash and amounts due from banks and other financial institutions	3,293,269	8%	4,300,693	11%
Fixed income investments	31,727,949	78%	32,463,925	79%
Currency funds	100,041	0%	471,786	1%
Term deposits	331,346	1%	330,000	1%
Bonds	18,507,474	46%	17,700,400	43%
Bond funds	6,721,910	17%	5,574,016	14%
Others ⁽¹⁾	6,067,178	15%	8,387,723	21%
Equity and equity funds	5,552,112	14%	4,122,198	10%
Stocks	1,396,278	4%	745,496	2%
Equity funds	3,227,058	8%	2,411,844	6%
Unlisted equity	928,775	2%	964,858	2%
Total investment assets	40,573,330	100%	40,886,816	100%

Note:

(1) Other investments include: statutory capital reserves, securities purchased under agreements to resell, wealth management products and trusts.

We had total investment assets of approximately RMB40,573 million as of June 30, 2022 and approximately RMB40,887 million as of December 31, 2021 representing a decrease of approximately 1%. Total investment assets represented approximately 75% and 79% of our total assets as of June 30, 2022 and December 31, 2021, respectively. As of June 30, 2022, equity and equity funds represented approximately 14% of our total investment assets.

8. Cash and amounts due from banks and other financial institutions

Cash and amounts due from banks and other financial institutions primarily include cash, term deposits and placements with banks. Cash and amounts due from banks and other financial institutions decreased from approximately RMB4,301 million as of December 31, 2021 to approximately RMB3,293 million as of June 30, 2022. The primary reason for the decrease was net cash outflows from operating activities as discussed in the section headed "Cash flows".

9. Bonds

Bonds include government bonds, financial bonds, corporate bonds and interbank deposits. As of June 30, 2022, approximately 98.3% of the bonds the Group held received external ratings of AA (domestic) level or above, or BBB- (international) level or above. For domestic bonds, more than approximately 89.0% received external ratings of AAA (domestic) level. The Group's investment in bonds increased from approximately RMB17,700 million as of December 31, 2021 to approximately RMB18,507 million as of June 30, 2022.

10. Stocks and investment funds

The Group's investment in stocks increased from approximately RMB745 million as of December 31, 2021 to approximately RMB1,396 million as of June 30, 2022, while our investment in equity funds increased from approximately RMB2,412 million as of December 31, 2021 to approximately RMB3,227 million as of June 30, 2022.

11. Net investment income

	For the six months ended June 30		
	2022 RMB'000	2021 RMB'000	(% of change)
Interest income			
– Bank deposits	20,118	39,101	(49%)
– Bond investments	289,308	274,778	5%
– Securities purchased under agreements to resell	1,003	2,761	(64%)
– Trust investment scheme	24,282	30,657	(21%)
Dividend income			
– Fund investment	62,644	12,360	407%
– Equity investment	6,454	11,957	(46%)
– Wealth management products	72,118	63,126	14%
Realized gains, net	256,062	509,329	(50%)
	731,989	944,069	(22%)

Net investment income is comprised of interest income from trust products, term deposits, securities purchased under agreements to resell and debt securities, dividend income from wealth management products, investment funds and equity securities, and realized gains or losses on securities transactions and on debt financial assets at fair value through other comprehensive income/available-for-sale securities. We had net investment income of approximately RMB732 million and RMB944 million for the six months ended June 30, 2022 and 2021, respectively.

Management Discussion and Analysis

12. Net fair value changes through profit or loss

Net fair value changes through profit or loss represent net fair value change on financial assets measured at fair value through profit or loss. We had net fair value loss amounting to approximately RMB354 million for the six months ended June 30, 2022, compared to the gain of approximately RMB93 million for the six months ended June 30, 2021. The changes were primarily due to the significant fluctuations and adjustments of the capital markets during the current year as compared with the previous year.

TECHNOLOGY BUSINESS

Revenue generated from technology export business of ZhongAn Technology and ZA Tech decreased from approximately RMB266 million for the six months ended June 30, 2021 to approximately RMB234 million for the six months ended June 30, 2022, representing a year-on-year decrease of approximately 12.0%. As the technology business remained at the stage of polishing products, investing in research and development and expanding its customer base, technology export business incurred losses of approximately RMB16 million for the six months ended June 30, 2022, compared with losses of approximately RMB137 million for the six months ended June 30, 2021.

VIRTUAL BANK

On March 24, 2020, our "Virtual Bank" officially opened for business in Hong Kong, which generated segment income of approximately RMB153 million for the six months ended June 30, 2022.

OVERALL RESULTS

13. Total income

Total income represents the sum of net premiums earned, net investment income, net fair value changes through profit or loss and other income. As a result of the foregoing, total income increased by approximately 14.7% from approximately RMB9,753 million for the six months ended June 30, 2021 to approximately RMB11,187 million for the six months ended June 30, 2022.

14. Total profit before tax

Total loss before tax of the Group was approximately RMB767 million for the six months ended June 30, 2022 compared with total profit before tax of approximately RMB603 million for the six months ended June 30, 2021.

15. Income tax

Under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), the Company and some of its subsidiaries are subject to the statutory rate of 25%. We had income tax credit of approximately RMB87 million and RMB1 million for the six months ended June 30, 2022 and 2021, respectively, which were primarily generated from changes in deferred income tax.

16. Net profit for the period

The Group recorded a net loss of approximately RMB680 million for the six months ended June 30, 2022 compared to a net profit of approximately RMB604 million for the six months ended June 30, 2021. The changes in the performance of the Group were mainly due to the significant decrease of investment income and the recognition of exchange losses relating to USD-denominated bonds.

CASH FLOWS

The following table sets forth our cash flows for the periods indicated:

	For the six months ended June 30	
	2022 RMB'000	2021 RMB'000
Net cash (outflow)/inflow from operating activities	(77,593)	478,276
Net cash (outflow)/inflow from investing activities	(1,189,308)	23,490
Net cash inflow/(outflow) from financing activities	1,054,539	(784,148)
Effect of exchange rate changes on cash and cash equivalents	95,678	(46,096)
Net decrease in cash and cash equivalents	(116,684)	(328,478)
Cash and cash equivalents at the beginning of period	3,765,029	8,218,037
Cash and cash equivalents at the end of period	3,648,345	7,889,559

We had net cash outflow from operating activities of approximately RMB78 million for the six months ended June 30, 2022, which comprised of cash inflow from underwriting business of approximately RMB10,816 million, offset by the cash outflow from claims of approximately RMB5,619 million and the net cash outflows from other operating activities of approximately RMB5,275 million.

We had net cash outflow from investing activities of approximately RMB1,189 million for the six months ended June 30, 2022, whereas our net cash inflow for the six months ended June 30, 2021 was approximately RMB23 million. This was primarily due to the decrease of investment income and the increase in the purchase of investment assets.

We had net cash inflow from financing activities of approximately RMB1,055 million for the six months ended June 30, 2022, which consists of (i) net cash inflows from the increase of securities sold under agreements to repurchase of approximately RMB2,004 million, and (ii) partial offset by cash outflow of approximately RMB727 million and RMB138 million paid for redemption of preference shares and interest, respectively.

INDEBTEDNESS

On July 16, 2020, the Company issued 5-year notes in the aggregate principal amount of USD600,000 thousand at the rate of 3.125% on the Hong Kong Stock Exchange. On September 8, 2020, the Company issued 5.5-year notes in the aggregate principal amount of USD300,000 thousand at the rate of 3.50% on the Hong Kong Stock Exchange. On October 12, 2020, the Company issued additional notes in the aggregate principal amount of USD100,000 thousand at the rate of 3.50% on the Hong Kong Stock Exchange, which were consolidated and formed a single series with the USD300,000 thousand notes issued on September 8, 2020.

ZhongAn Technology applied credit line of RMB150 million within 12 months for working capital loan and domestic letter of credit from China Merchants Bank. As of June 30, 2022, the balance of our loans was RMB103 million.

In addition, we applied credit line of RMB50 million for commercial draft from Bank of Ningbo. As of June 30, 2022, the balance of our commercial draft was RMB35 million.

Save as disclosed above, as of June 30, 2022, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, or unguaranteed, secured or unsecured, nor had any guarantees or other contingent liabilities.

Management Discussion and Analysis

SOLVENCY FOR INSURANCE COMPANIES

The solvency ratio for insurance companies is an important supervisory indicator to assess the capital adequacy of insurance companies. Stable solvency ratio enables a company to meet the capital requirements by regulatory and rating agencies and other external institutions, and supports the business development of the company and long-term shareholders' value.

With its adequate solvency at present, the Company will continue to strengthen the supervision control and analysis on its solvency ratio while proactively developing its insurance business and expanding the arrays of its investments in the future.

The Company adopted the Regulatory Rules on Solvency of Insurance Companies (II) (the "C-ROSS Phase II Rules") since the beginning of 2022. The solvency data as of June 30, 2022 reflects the C-ROSS Phase II Rules, while the solvency data as of December 31, 2021 reflects the C-ROSS Phase I Rules. The table below summarizes the core capital, actual capital and minimum required capital of the Company.

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Actual capital	15,580,569	16,780,589
Core capital	15,580,569	16,780,589
Minimum required capital	4,969,461	3,552,560
Comprehensive solvency margin ratio (%)	314%	472%
Core solvency margin ratio (%)	314%	472%

Notes: Comprehensive solvency margin ratio = Actual capital/Minimum required capital;

Core solvency margin ratio = Core capital/Minimum required capital

17. Significant investments

We did not hold any material investments during the six months ended June 30, 2022 (including any investment in an investee company with a value of 5% or more of the Company's total assets as of June 30, 2022).

18. Material acquisitions and disposals

Save as disclosed in this interim report, we did not have any material acquisitions or disposals of subsidiaries, associated companies or joint ventures during the six months ended June 30, 2022.

19. Future plans for material investments and capital assets

As of June 30, 2022, we did not have other plans for material investments and capital assets.

20. Pledge of assets

Save as disclosed in this interim report, as of June 30, 2022, none of the Group's assets were pledged.

21. Gearing ratio

As of June 30, 2022, our gearing ratio, calculated as total liabilities (excluding capital supplementary bonds and subordinated term debts) divided by total assets, was approximately 67.5%, representing an increase of 4.8 percentage points as compared with approximately 62.7% as of June 30, 2021.

22. Foreign exchange exposure

During the six months ended June 30, 2022, we mainly operated our underwriting business in the PRC and majority of the transactions were settled in Renminbi, the Company's functional currency. As of June 30, 2022, our cash and cash equivalents denominated in foreign currencies included approximately HK\$1,083.5 million, approximately USD94.8 million, approximately SGD3.4 million, approximately IDR6,542.5 million and approximately THB1.0 million, mainly arising from the business operation of ZATI and the issuance of USD notes by the Company in the second half of 2020. We did not use any financial instruments for hedging purposes during the six months ended June 30, 2022.

23. Contingent liabilities

As of June 30, 2022, we did not have any material contingent liabilities.

24. Off-balance sheet commitments and arrangements

As of June 30, 2022, we did not enter into any off-balance sheet arrangements.

25. Events after the Reporting Period

Save as disclosed in this interim report, there was no other significant events that might affect the Group from June 30, 2022 to the date of this report.

Disclosure of Interest

Directors', Supervisors' and Chief Executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and any associated corporation

As at June 30, 2022, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code are as follows:

Interest in the Company

Name of Director	Class of Shares	Nature of interest	Number of Shares	Approximate percentage in Shares of the same class ⁽¹⁾	Approximate percentage of the Company's total issued share capital ⁽¹⁾
Yaping Ou ⁽²⁾	H Shares	Interest of controlled corporation	81,000,000 (Long position)	5.70%	5.51%

Notes:

- (1) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2022.
- (2) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide which is listed on the Hong Kong Stock Exchange (Stock Code: 1168) and is owned by Asia Pacific Promotion Limited, a company wholly owned by Mr. Yaping Ou, as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).

Save as disclosed above, as at June 30, 2022, so far as is known to any Director, Supervisor or the chief executive of the Company, none of the Directors, the Supervisors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Substantial shareholders' and other persons' interests and short positions in the Shares and underlying Shares of the Company

As at June 30, 2022, within the knowledge of the Directors, the following persons (other than the Directors, the Supervisors and chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage in Shares of the same class ⁽²⁾	Approximate percentage of the Company's total issued share capital ⁽²⁾
Ant Group ⁽³⁾	H Shares	Beneficial interest	152,462,937	10.74%	10.37%
Hangzhou Yunbo Investment Consulting Co, Ltd. ⁽³⁾	H Shares	Interest of controlled corporation	152,462,937	10.74%	10.37%
Yun Ma ⁽³⁾	H Shares	Interest of controlled corporation/ Concert party to an agreement to buy shares	152,462,937	10.74%	10.37%
Simon Xiaoming Hu ⁽³⁾	H Shares	Concert party to an agreement to buy shares	152,462,937	10.74%	10.37%
Fang Jiang ⁽³⁾	H Shares	Concert party to an agreement to buy shares	152,462,937	10.74%	10.37%
Eric Xiandong Jing ⁽³⁾	H Shares	Concert party to an agreement to buy shares	152,462,937	10.74%	10.37%
Ping An Insurance ⁽⁴⁾	H Shares	Beneficial interest	150,000,000	10.56%	10.21%
Shenzhen Jia De Xin Investment Limited ⁽⁵⁾	H Shares	Beneficial interest	140,000,000	9.86%	9.53%
Shenzhen Huaxinlian Investment Limited ⁽⁵⁾	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%
Yafei Ou ⁽⁵⁾	H Shares	Interest of controlled corporation	140,000,000	9.86%	9.53%
Tencent Computer System ⁽⁶⁾	H Shares	Beneficial interest	114,921,812	8.09%	7.82%
Huateng Ma ⁽⁶⁾	H Shares	Interest of controlled corporation	114,921,812	8.09%	7.82%
Tencent ⁽⁶⁾	H Shares	Interest of controlled corporation	114,921,812	8.09%	7.82%
Unifront Holding Limited ⁽⁷⁾	H Shares	Beneficial interest	90,000,000	6.33%	6.12%

Disclosure of Interest

Name of Shareholder	Class of Shares	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage in Shares of the same class ⁽²⁾	Approximate percentage of the Company's total issued share capital ⁽²⁾
Shanghai Songlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Shanghai Jiangu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Shanghai Xinlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Shanghai Youlu Investment Management Co., Ltd. ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Zhen Zhang ⁽⁷⁾	H Shares	Interest of controlled corporation	90,000,000	6.33%	6.12%
Cnhooray Internet Technology Co. Ltd. ⁽⁸⁾	H Shares	Beneficial interest	81,000,000	5.70%	5.51%
Timeway Holdings Limited ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Sinolink Worldwide ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Asia Pacific Promotion Limited ⁽⁸⁾	H Shares	Interest of controlled corporation	81,000,000	5.70%	5.51%
Shanghai Yuanqiang Investment Company Limited ⁽⁹⁾	Domestic Shares	Beneficial interest	50,000,000	100%	3.40%
Song Zou ⁽⁹⁾	Domestic Shares	Interest of controlled corporation	50,000,000	100%	3.40%

Notes:

- (1) All the Shares are held in long position (as defined under Part XV of the SFO) unless otherwise specified.
- (2) The shareholding percentages are calculated on the basis of 50,000,000 Domestic Shares and 1,419,812,900 H Shares as at June 30, 2022.
- (3) Hangzhou Junhan Equity Investments Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業(有限合夥)) ("Hangzhou Junhan") and Hangzhou Junao Equity Investments Partnership (Limited Partnership) (杭州君澳股權投資合夥企業(有限合夥)) ("Hangzhou Junao") held approximately 29.86% and 20.66% (together approximately 50.52%) of Ant Group's total issued Shares, respectively. Hangzhou Yunbo Investment Consulting Co., Ltd. (杭州雲鉞投資諮詢有限公司) ("Hangzhou Yunbo") is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma held a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang held a 22% equity interest in Hangzhou Yunbo. Pursuant to the Concert Party Agreement entered into between them and the articles of association of Hangzhou Yunbo, Mr. Jack Ma has ultimate control over Ant Group.
- (4) Ping An Insurance is a joint-stock company incorporated in the PRC and listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2318) and the Shanghai Stock Exchange (Stock Code: 601318).
- (5) Shenzhen Jia De Xin Investment Limited (深圳市加德信投資有限公司) is a subsidiary of Shenzhen Huaxinlian Investment Limited (深圳市華信聯投資有限公司). As such, Shenzhen Huaxinlian Investment Limited is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited. Shenzhen Huaxinlian Investment Limited is controlled by Mr. Yafei Ou (歐亞非). As such, Mr. Yafei Ou (歐亞非) is deemed to be interested in the Shares held by Shenzhen Jia De Xin Investment Limited.
- (6) Tencent Computer System is a consolidated affiliated entity (through contractual arrangements) of Tencent, a company listed on the Hong Kong Stock Exchange (Stock Code: 0700), and is one of its principal PRC domestic operating entities. Tencent Computer System is a leading provider of Internet value-added services in the PRC and a clear holder of the Company's Shares. As such, Tencent is deemed to be interested in the Shares held by Tencent Computer System. Mr. Huateng Ma (馬化騰) holds 54.29% shares in Tencent Computer System.
- (7) Unifront Holding Limited (優孚控股有限公司) is owned by Shanghai Songlu Investment Management Co., Ltd. (上海松鹿投資管理有限公司) as to 25.00%, Shanghai Jianglu Investment Management Co., Ltd. (上海江鹿投資管理有限公司) as to 16.88% and Shanghai Xinlu Investment Management Co., Ltd. (上海鑫鹿投資管理有限公司) as to 13.12%. The entire interest of Shanghai Songlu Investment Management Co., Ltd., Shanghai Jianglu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. are held by Shanghai Youlu Investment Management Co., Ltd. (上海游鹿投資管理有限公司), which in turn is controlled by Zhen Zhang (張真). As such, Shanghai Youlu Investment Management Co., Ltd., Shanghai Songlu Investment Management Co., Ltd., Shanghai Jianglu Investment Management Co., Ltd. and Shanghai Xinlu Investment Management Co., Ltd. are deemed to be interested in the Shares held by Unifront Holding Limited. As such, Zhen Zhang (張真) is deemed to be interested in the Shares held by Unifront Holding Limited.
- (8) Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司) is a subsidiary of Timeway Holdings Limited (中宇集團有限公司). The entire interest of Timeway Holdings Limited (中宇集團有限公司) is held by Sinolink Worldwide. Sinolink Worldwide is held by Asia Pacific Promotion Limited (a company wholly owned by Mr. Yaping Ou) as to approximately 45.10%. As such, Timeway Holdings Limited (中宇集團有限公司), Sinolink Worldwide, Asia Pacific Promotion Limited and Mr. Yaping Ou are deemed to be interested in the Shares held by Cnhooray Internet Technology Co. Ltd. (深圳日訊網絡科技股份有限公司).
- (9) Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司) is owned by Mr. Song Zou (鄒松) as to 80.00%. As such, Mr. Song Zou (鄒松) is deemed to be interested in the Shares held by Shanghai Yuanqiang Investment Company Limited (上海遠強投資有限公司).

Save as disclosed above, according to the register kept by the Company under Section 336 of the SFO, there was no other person who had a substantial interest or short positions in the Shares or underlying Shares as at June 30, 2022.

Other Information

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2022, the Group had 4,260 full-time employees. The number of employees employed by the Group varies from time to time depending on the needs. Employee remuneration is determined in accordance with prevailing industry practice and employees' educational background, experience and performance. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from pension funds, in-house training programs, discretionary bonuses, medical insurance and mandatory provident fund, share awards may be granted to employees according to the assessment of individual performance.

Compensation of key executives of the Group is determined by the Company's remuneration and nomination management committee which reviews and determines executives' compensation based on the Group's performance and the executives' respective contributions to the Group.

The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was approximately RMB1,282.95 million.

CORPORATE GOVERNANCE

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders and customers.

The Company has adopted and complied with the applicable code provisions of the Corporate Governance Code (the "Previous CG Code") as set out in Appendix 14 to the Listing Rules before the amendments to the Corporate Governance Code (the "New CG Code") came into effect on January 1, 2022. The requirements under the New CG Code would apply to corporate governance reports for financial year commencing on or after January 1, 2022 and the Company will report on its compliance with the New CG Code in the corporate governance report for the year ending December 31, 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance and alignment with the latest measures and standards set out in the New CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The Company has made enquiries into all Directors, and all the Directors confirmed that they had complied with the standards set out in the Model Code during the Reporting Period.

REVIEW BY AUDIT AND CONSUMER RIGHTS PROTECTION COMMITTEE

The Company has established an audit and consumer rights protection committee in accordance with the Listing Rules. The primary duties of the audit and consumer rights protection committee are to supervise our internal control system, financial information disclosure, financial reporting and consumer rights protection matters. The audit and consumer rights protection committee comprises Mr. Gang Ji, Ms. Hui Chen and Mr. Wei Ou. Mr. Gang Ji is a non-executive Director, and Ms. Hui Chen and Mr. Wei Ou are independent non-executive Directors. Ms. Hui Chen is the chairman of the audit and consumer rights protection committee.

The audit and consumer rights protection committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2022 and this interim report. The audit and consumer rights protection committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the external auditor of the Company, PricewaterhouseCoopers. The interim financial statements of the Company are unaudited.

OTHER BOARD COMMITTEES

In addition to the audit and consumer rights protection committee, the Company has also established a nomination and remuneration management committee, a strategy and investment decision committee, and a risk management and related transaction control committee.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE DURING THE REPORTING PERIOD

Changes in information of Directors, Supervisors and Chief Executives which are required to be disclosed under Rule 13.51B(1) of the Listing Rules are set out below:

1. With effect from January 28, 2022, Mr. Gang Ji was appointed as a non-executive Director.
2. With effect from January 28, 2022, Ms. Vena Wei Yan Cheng was appointed as an independent non-executive Director.
3. With effect from January 28, 2022, Mr. Limin Guo was appointed as an external Supervisor of the Company.
4. With effect from January 28, 2022, Ms. Baoyan Gan resigned as a Supervisor.
5. With effect from March 2, 2022, Mr. Weibiao Zhan resigned as a non-executive Director of the Company and a member of the strategy and investment decision committee.
6. With effect from March 23, 2022, Mr. Ying Wu resigned as an independent non-executive Director, a member of the nomination and remuneration management committee and a member of the risk management and related transaction control committee.
7. With effect from March 23, 2022, the following changes in the board committees of the Company had taken place:
 - (a) the audit and consumer rights protection committee was composed of Mr. Gang Ji, Ms. Hui Chen and Mr. Wei Ou, with Ms. Hui Chen as the chairman.
 - (b) the nomination and remuneration management committee was composed of Mr. Yaping Ou, Mr. Shuang Zhang and Ms. Vena Wei Yan Cheng, with Mr. Shuang Zhang as the chairman.
 - (c) the strategy and investment decision committee was composed of Mr. Yaping Ou, Mr. Hugo Jin Yi Ou and Mr. Liangxun Shi, with Mr. Yaping Ou as the chairman.
 - (d) the risk management and related transaction control committee was composed of Ms. Hui Chen, Mr. Wei Ou and Ms. Vena Wei Yan Cheng, with Mr. Wei Ou as the chairman.

Save as mentioned above, there was no other change in the Directors', Supervisors' and Chief Executives' information required to be disclosed under Rule 13.51B(1) of the Listing Rules as at the Latest Practicable Date.

SUBSIDIARY SHARE OPTION SCHEMES

The subsidiaries of the Company, being ZATI, ZA Life and ZA Tech, each adopted a subsidiary share option scheme (each and collectively referred to as "**Subsidiary Share Option Schemes**") on December 29, 2020. Each of the Subsidiary Share Option Scheme is valid and effective for a period of ten (10) years commencing from the respective adoption date and will expire on December 28, 2030. A summary of the principal terms of the Subsidiary Share Option Schemes is set out below:

The purpose for each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme is to enable ZATI, ZA Life and ZA Tech to grant share options of ZATI, ZA Life and ZA Tech, respectively, to their respective eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary Share Option Schemes.

Eligible participants for ZATI Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZATI, who have contributed or will contribute to ZATI group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZATI; (b) any full-time or part-time employees of the holding companies and/or subsidiaries of ZATI; (c) any consultants or service providers (whether professional or otherwise and whether on contractual, honorary basis or otherwise and whether paid or unpaid) who provide support to ZATI (where such consultants and service providers possess special skills or technical knowledge to fill the void currently experienced by ZATI group and is beneficial to ZATI's rapid business growth in the fintech sector); and (d) any full-time or part-time employees who are on transfer or secondment between ZATI, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

Other Information

Eligible participants for ZA Life Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Life, who have contributed or will contribute to ZA Life group or invested entity, such eligible participants being (a) any full-time or part-time employees and senior management members of ZA Life; (b) any full-time or part-time employees of the holding companies and/or subsidiaries of ZA Life; (c) any consultants or service providers (whether professional or otherwise and whether on contractual or honorary basis or otherwise and whether paid or unpaid) who provide support to ZA Life (where such consultants and service providers possess special skills or technical knowledge to fill the void currently experienced by ZA Life group and is beneficial to ZA Life's continuing development in the insurance sector); and (d) any full-time or part-time employees who are on transfer or secondment between ZA Life, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

Eligible participants for ZA Tech Share Option Scheme includes classes of persons, at the sole determination of the board of directors of ZA Tech, who have contributed or will contribute to ZA Tech group or invested entity, such eligible participants being (a) any full-time employees and senior management members of ZA Tech; (b) any full-time employees of the holding companies and/or subsidiaries of ZA Tech; and (c) any full-time employees who are on transfer or secondment between ZA Tech, its holding company, any of its subsidiaries or joint venture entities (as the case may be).

The board of directors of each of ZATI, ZA Life and ZA Tech, respectively, determines the criteria for each type of eligible participants under each Subsidiary Share Option Scheme based on various commercial considerations including without limitation, seniority of an employee with internal grading of manager or above and whether the employee will have medium-to-long-term contribution to the business development of ZATI, ZA Life and ZA Tech, respectively, and/or the Group. The board of directors of each of ZATI and ZA Life, respectively, determines the criteria for the consultants and service providers under each of the Subsidiary Share Option Scheme based on the following factors: (i) the special skills or technical knowledge possess by such consultants and service providers, (ii) whether the consultants and service providers have contributed to the growth of the business development of ZATI and ZA Life, respectively, and (iii) whether the consultants and service providers will contribute to the medium-to-long-term growth of the business development of ZATI and ZA Life, respectively.

The maximum aggregate number of shares which may be issued upon exercise of share options granted and yet to be exercised under a Subsidiary Share Option Scheme must not exceed ten (10) percent of the issued share capital of ZATI, ZA Life and ZA Tech, respectively, as at the adoption date of the respective Subsidiary Share Option Scheme, subject to adjustment in the event of specified capitalisation events from time to time as described in the Subsidiary Share Option Schemes.

As at the Latest Practicable Date, the total number of shares available for issue under each of the ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme was 210,000,000 shares, 100,000,000 shares and 3,000,000 shares, respectively. No share options may be granted under the respective Subsidiary Share Option Scheme if this will result in such limit being exceeded.

Unless approved by the Shareholders of the Company, the total number of shares of ZATI, ZA Life and ZA Tech issued or to be issued pursuant to the exercise of the share options granted to each grantee of the respective Subsidiary Share Option Scheme (including both exercised and outstanding share options under that Subsidiary Share Option Scheme) in any 12-month period must not exceed one (1) percent of the issued share capital of ZATI, ZA Life and ZA Tech, respectively.

Neither the ZATI Share Option Scheme, ZA Life Share Option Scheme nor the ZA Tech Share Option Scheme stipulated a minimum period for which a share option of each of ZATI, ZA Life and ZA Tech must be held before it can be exercised.

The board of directors of ZATI, ZA Life and ZA Tech (or through its administration committee) shall respectively determine the exercise price for the share option of ZATI, ZA Life and ZA Tech with reference to the respective net asset value per underlying share of ZATI, ZA Life and ZA Tech at the time of grant.

The offer in respect of the grant of a share option of each of ZATI, ZA Life and ZA Tech to a grantee shall be accepted within 14 days from the date of the relevant offer letter and no payment is required to accept an offer.

The ZATI Share Option Scheme, ZA Life Share Option Scheme and ZA Tech Share Option Scheme will continue be in force until December 28, 2030 pursuant to the respective provisions therein. The remaining life of the respective Subsidiary Share Option Scheme is approximately 8 years and 4 months.

Details of the movements of the options granted under the Subsidiary Share Options Schemes during the six months ended June 30, 2022 are as follows:

(i) ZATI Share Option Scheme

Grantee	Date of grant	Exercise period	Exercise price	Number of ZATI shares comprised in options					Closing price per share before the date of grant	
				Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2022		
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$1.3418	101,794,450	—	252,600	3,600,275	97,941,575	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.3418	41,215,370	—	0	2,529,600	38,685,770	N/A	Note
Employees	January 20, 2022	January 20, 2022 to January 19, 2032	HK\$1.50	—	12,280,000	0	280,000	12,000,000	N/A	Note
Other consultants who provided services to the ZATI group	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.3418	2,303,000	—	0	0	2,303,000	N/A	Note
Total				145,312,820	12,280,000	252,600	6,409,875	150,930,345		

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZATI, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZATI in its absolute discretion.

None of the consultants who provided services to the ZATI group were granted options to subscribe for shares in excess of 0.1% of the total issued shares of ZATI.

Other Information

(ii) ZA Life Share Option Scheme

Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Life shares comprised in options				Outstanding as at June 30, 2022	Closing price per share before the date of grant	
				Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period			
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$1.171	25,009,500	—	0	2,109,750	22,899,750	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$1.171	840,000	—	0	400,000	440,000	N/A	Note
Employees	April 8, 2022	April 8, 2022 to April 7, 2032	HK\$1.3091	—	12,062,900	0	0	12,062,900	N/A	Note
Total				25,849,500	12,062,900	0	2,509,750	35,402,650		

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZA Life, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZA Life in its absolute discretion.

(iii) ZA Tech Share Option Scheme

Grantee	Date of grant	Exercise period	Exercise price	Number of ZA Tech shares comprised in options				Outstanding as at June 30, 2022	Closing price per share before the date of grant	
				Outstanding as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period			
Employees	December 31, 2020	December 31, 2020 to December 30, 2030	HK\$9.3989	2,118,000	—	0	0	2,118,000	N/A	Note
Employees	June 25, 2021	June 25, 2021 to June 24, 2031	HK\$9.3989	762,000	—	0	55,000	707,000	N/A	Note
Total				2,880,000	—	0	55,000	2,825,000		

Note:

The vesting of the share options shall be subject to the fulfillment of all terms and conditions for the grant of such share options made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZA Tech, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded share options shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZA Tech in its absolute discretion.

None of the grantees relating to the grants under the Subsidiary Share Option Schemes is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

SUBSIDIARY RESTRICTED SHARE UNIT SCHEMES

The subsidiaries of the Company, being ZATI and ZA Tech, each adopted a subsidiary restricted share unit scheme (each and collectively, the “**Subsidiary RSU Scheme(s)**”) on September 15, 2020 and June 24, 2021, respectively. Each of the Subsidiary RSU Scheme is valid and effective for a period of ten (10) years commencing from the respective adoption date and will expire on September 14, 2030 and June 23, 2031, respectively. A summary of the principal terms of the Subsidiary RSU Schemes is set out below.

The purpose for each of the ZATI RSU Scheme and ZA Tech RSU Scheme is to enable ZATI and ZA Tech to grant restricted share units (“**RSU(s)**”) of ZATI and ZA Tech, respectively, to their respective eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the respective eligible participants of the Subsidiary RSU Schemes.

Eligible participants of the ZATI RSU Scheme includes classes of persons, at the sole determination of the board of directors of ZATI, who have contributed or will contribute to the ZATI group or invested entity, such eligible participants being (a) any full-time or part-time key employees of ZATI; (b) any full-time or part-time employees of the holding companies of ZATI and/or its subsidiaries; (c) any consultant or service providers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) who provides support to ZATI; and (d) any full-time or part-time employees that are on transfer or secondment between ZATI, its holding company, any of its subsidiaries or joint venture entities.

Eligible participants of the ZA Tech RSU Scheme includes classes of persons, at the sole determination of the board of directors of ZA Tech, who have contributed or will contribute to the ZA Tech group or invested entity, such eligible participants being (a) any full-time key employees of ZA Tech; (b) any full-time employees of the holding companies of ZA Tech and/or its subsidiaries; and (c) any full-time employees that are on transfer or secondment between ZA Tech, its holding company, any of its subsidiaries or joint venture entities, or otherwise determined by the board of directors of ZA Tech.

The board of directors of each of ZATI and ZA Tech, respectively, at its discretion, select any person to be eligible participant who has attained the requisite criteria as the board of directors of each of ZATI and ZA Tech, respectively, may in its absolute discretion determine from time to time, to participate in each Subsidiary RSU Scheme.

The maximum aggregate number of shares which may be allotted and issued under a Subsidiary RSU Scheme must not exceed ten (10) percent of the issued share capital of ZATI and ZA Tech, respectively, as at the adoption date of the respective Subsidiary RSU Scheme, subject to adjustment in the event of specified capitalisation events from time to time as described in the Subsidiary RSU Schemes.

As at the Latest Practicable Date, the total number of shares available for issue under each of the ZATI RSU Scheme and ZA Tech RSU Scheme was 210,000,000 shares and 3,000,000 shares, respectively.

The board of directors of ZATI and ZA Tech (or through its administration committee) shall respectively determine the consideration of the RSUs (“**Grant Price**”) at the time of grant. Full payment of the Grant Price can be deferred up to the earliest of (i) date of termination of the grantee’s relationship with the ZATI group or ZA Tech group or their joint venture entities; (ii) the end of the tenth year from the grant date; and (iii) the date of completion of a merger, acquisition of 50% or more of the voting shares of ZATI or ZA Tech, sale of all assets of ZATI or ZA Tech, or a qualified initial public offering of the shares of ZATI or ZA Tech on a reputable public stock exchange in any jurisdiction as approved by the board of directors of ZATI or ZA Tech and the shareholders of ZATI or ZA Tech at general meeting. In the event that the grantee fails to make full payment of the Grant Price for any of his/her RSUs, the unvested or vested RSUs shall immediately lapse or be forfeited (as the case may be).

The grant of RSU of each of ZATI and ZA Tech to a grantee shall be accepted within the time period and in a manner prescribed in the relevant offer letter.

The ZATI RSU Scheme and ZA Tech RSU Scheme will continue be in force until September 14, 2030 and June 23, 2031, respectively, pursuant to the respective provisions therein.

Other Information

Details of the movements of the options granted under the Subsidiary RSU Schemes during the six months ended June 30, 2022 are as follows:

(i) ZATI RSU Scheme

Grantee	Date of grant	Number of ZATI shares comprised in RSUs					Outstanding as at June 30, 2022	Vesting Period	Closing price per share before the date of grant	Note
		Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2022				
Employees	April 8, 2022	0	72,305,000	0	2,500,000	69,805,000	25% to vest in each year commencing from April 8, 2022 to April 7, 2026	N/A	Note	
Other consultants who provided services to the ZATI group	April 8, 2022	0	900,000	0	250,000	650,000				
Total		0	73,205,000	0	2,750,000	70,455,000				

Note:

The vesting of the RSUs shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZATI, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded RSUs shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZATI in its absolute discretion.

None of the consultants who provided services to the ZATI group were granted RSUs representing shares in excess of 0.1% of the total issued shares of ZATI.

(ii) ZA Tech RSU Scheme

Grantee	Date of grant	Number of ZA Tech shares comprised in RSUs					Outstanding as at June 30, 2022	Vesting Period	Closing price per share before the date of grant	Note
		Outstanding as at January 1, 2022	Granted during the Reporting Period	Vested during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2022				
Employees	June 25, 2021	588,000	0	142,000	20,000	426,000	25% to vest in each year commencing from June 25, 2021 to June 24, 2025	N/A	Note	
Total		588,000	0	142,000	20,000	426,000				

Note:

The vesting of the RSUs shall be subject to the fulfillment of all terms and conditions for the grant of such RSUs made to the grantee as set out in the relevant offer letter (i) provided the grantee shall be continuously employed by ZA Tech, its holding company or its subsidiaries (as the case may be) through the vesting date, the awarded RSUs shall vest in accordance with the vesting schedule as stipulated in the relevant offer letter; and (ii) other conditions (if any) as determined by the board of directors of ZA Tech in its absolute discretion.

None of the grantees relating to the grants under the Subsidiary RSU Schemes is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Save as disclosed in this interim report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

USE OF PROCEEDS

1. Use of proceeds from Listing

On September 28, 2017, the Shares listed on the Main Board of the Hong Kong Stock Exchange. The gross proceeds from the above Global Offering were approximately HK\$13,682.5 million, which will be used for the purposes as set out in the Prospectus.

2. Use of proceeds from 2025 Notes

On July 9, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the USD600,000,000 3.125% Notes due 2025 (the "**2025 Notes**"). As at June 30, 2022, the Group had used approximately RMB6,383.03 million (equivalent to approximately USD928 million) of the proceeds from the 2025 Notes and the USD300,000,000 3.50% Notes due 2026 (the "**2026 Notes**") for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated July 10, 2020 and July 16, 2020 (the "**2025 Notes Announcements**"). The Company will gradually apply the remaining net proceeds in the manner set out in the 2025 Notes Announcements. The Company intends to use the proceeds for working capital and general corporate purposes. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

For further details of the 2025 Notes, please refer to the announcements of the Company dated July 10, 2020 and July 16, 2020.

3. Use of proceeds from 2026 Notes

On August 31, 2020, the Company entered into a subscription agreement with various financial institutions in connection with the issue of the 2026 Notes. On October 9, 2020, the Company issued USD100,000,000 3.50% Notes due 2026 (the "**Additional Notes**") consolidated and forming a single series with the 2026 Notes. As at June 30, 2022, the Group had used approximately RMB6,383.03 million (equivalent to approximately USD928 million) of the proceeds from the 2025 Notes and 2026 Notes for working capital and general corporate purposes. There was no change in the intended use of net proceeds as previously disclosed in the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020 (the "**2026 Notes Announcements**"). The Company will gradually apply the remaining net proceeds in the manner set out in the 2026 Notes Announcements. The Company may adjust its plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

For further details of the 2026 Notes and the Additional Notes, please refer to the announcements of the Company dated September 1, 2020, September 8, 2020 and October 9, 2020.

LITIGATION

As of June 30, 2022, the Company was not involved in any material litigation or arbitration and the Directors were not aware of any material litigation or claims that were pending or threatened against the Company.

INTERIM DIVIDEND

In order to retain resources for the Group's business development, the Board did not declare an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: Nil).

For and on behalf of the Board
Yaping Ou
 Chairman

August 25, 2022

Report on Review of Interim Financial Information

To the Board of Directors of ZhongAn Online P & C Insurance Co., Ltd.

(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 41 to 96, which comprises the interim condensed consolidated balance sheet of ZhongAn Online P & C Insurance Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 25 August 2022

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
Gross written premiums	6	10,771,374	9,845,471
Less: Premiums ceded to reinsurers	6	(185,914)	(618,215)
Net written premiums	6	10,585,460	9,227,256
Less: Net change in unearned premium reserves	6	(241,953)	(989,268)
Net premiums earned	6	10,343,507	8,237,988
Net investment income	7	731,989	944,069
Net fair value changes through profit or loss	8	(353,639)	93,213
Other income	9	465,596	477,372
Total income		11,187,453	9,752,642
Net claims incurred	10	(5,933,878)	(4,072,070)
Handling charges and commissions	11	(1,026,060)	(1,133,078)
Foreign exchange (losses)/gains		(312,764)	54,249
Finance costs		(210,680)	(167,671)
General and administrative expenses	12	(3,918,407)	(3,329,278)
Net impairment losses on financial assets	13	(32,547)	—
Other expenses	14	(515,421)	(488,236)
Total expenses		(11,949,757)	(9,136,084)
Share of net loss of associates and joint ventures accounted for using the equity method		(4,578)	(13,667)
(Loss)/profit before income tax		(766,882)	602,891
Income tax	15	87,172	1,242
Net (loss)/profit for the period		(679,710)	604,133
Attributable to:			
– Owners of the parent		(621,943)	755,347
– Non-controlling interests		(57,767)	(151,214)
		(679,710)	604,133
(Loss)/profit per share			
– Basic (loss)/profit per share (RMB yuan)	16	(0.42)	0.51
– Diluted (loss)/profit per share (RMB yuan)	16	(0.42)	0.51

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
Other comprehensive income			
Items that may be reclassified to profit or loss			
– Changes in the fair value of debt instruments at fair value through other comprehensive income		(213,505)	—
– Credit risks provision of debt instruments at fair value through other comprehensive income		9,861	—
– Changes in fair value of available-for-sale financial assets		—	(12,906)
– Exchange differences on translation of foreign operations		155,567	(36,166)
Items that will not be reclassified to profit or loss			
– Changes in the fair value of equity instruments at fair value through other comprehensive income		(63,193)	—
Other comprehensive income for the period, net of tax	17	(111,270)	(49,072)
Total comprehensive income for the period		(790,980)	555,061
Attributable to:			
– Owners of the parent		(684,579)	739,406
– Non-controlling interests		(106,401)	(184,345)
		(790,980)	555,061

The accompanying notes form an integral part of the interim condensed consolidated financial information.

The interim condensed consolidated financial information and the accompanying notes starting from page 41 to page 96 are signed by:

Yaping Ou

(On behalf of Board of Directors)

Hugo Jinyi Ou

(On behalf of Board of Directors)

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
ASSETS			
Cash and amounts due from banks and other financial institutions	18	3,293,269	4,300,693
Securities purchased under agreements to resell	19	440,348	9,900
Premium receivables	20	5,299,826	5,014,317
Reinsurance receivables	21	731,914	746,982
Reinsurers' share of insurance contract liabilities	44	275,729	376,421
Loans and advances to customers	22	3,616,473	2,054,699
Financial assets at fair value through profit or loss	23	22,505,874	11,812,588
Financial assets at amortized cost	24	1,635,332	—
Debt financial assets at fair value through other comprehensive income	25	11,484,912	—
Equity financial assets at fair value through other comprehensive income	26	51,763	—
Interest receivables	27	—	283,144
Available-for-sale financial assets	28	—	21,979,140
Investments classified as loans and receivables	29	—	930,600
Held-to-maturity financial assets	30	—	665,736
Investments in associates and joint ventures	31	518,967	559,659
Term deposits	32	331,346	330,000
Restricted statutory deposits	33	311,519	298,500
Property and equipment	34	54,367	61,640
Right-of-use assets	35	306,140	178,226
Intangible assets	36	582,238	477,493
Goodwill		3,189	3,189
Deferred income tax assets	37	50,068	—
Other assets	38	2,750,849	1,689,402
Total assets		54,244,123	51,772,329

Interim Condensed Consolidated Balance Sheet

As at 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	30 June 2022 (unaudited)	31 December 2021 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	39	1,469,813	1,469,813
Reserves	40	16,534,459	16,736,782
Accumulated losses		(1,971,355)	(1,458,193)
Equity attributable to owners of the parent		16,032,917	16,748,402
Non-controlling interests		1,598,063	2,381,795
Total equity		17,630,980	19,130,197
Liabilities			
Borrowings		103,232	117,232
Securities sold under agreements to repurchase	41	7,629,757	5,548,348
Customer deposits	42	6,935,131	5,696,792
Premiums received in advance		165,924	173,513
Reinsurance payables	43	678,711	851,384
Income tax payable		—	7
Contract liabilities		117,724	80,596
Insurance contract liabilities	44	9,849,539	9,304,217
Bonds payable	45	6,748,333	6,325,021
Lease liabilities	35	355,751	203,100
Deferred income tax liabilities	37	—	61,946
Other liabilities	46	4,029,041	4,279,976
Total liabilities		36,613,143	32,642,132
Total equity and liabilities		54,244,123	51,772,329

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

For the six months ended 30 June 2022 (unaudited)											
Attributable to owners of the parent											
	Reserves							Accumulated losses	Sub-total	Non-controlling interests	Total equity
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Financial assets at fair value through other comprehensive income revaluation reserves	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves				
31 December 2021	1,469,813	16,607,830	1,314	46,614	—	233,815	(152,791)	(1,458,193)	16,748,402	2,381,795	19,130,197
Change in accounting policy (Note 3.1)	—	—	(438)	—	38,376	(233,815)	—	185,875	(10,002)	—	(10,002)
1 January 2022	1,469,813	16,607,830	876	46,614	38,376	—	(152,791)	(1,272,318)	16,738,400	2,381,795	19,120,195
Total comprehensive income	—	—	—	—	(159,200)	—	96,564	(621,943)	(684,579)	(106,401)	(790,980)
Reversal from surplus reserves	—	—	(876)	—	—	—	—	876	—	—	—
Considerations paid to non-controlling interests (Note 5(b))	—	—	—	—	—	—	—	(34,461)	(34,461)	(692,500)	(726,961)
Share-based payments	—	—	—	13,557	—	—	—	—	13,557	15,169	28,726
Transfer of loss on disposal of equity investments at fair value through other comprehensive income to accumulated losses (Note 26)	—	—	—	—	43,509	—	—	(43,509)	—	—	—
30 June 2022	<u>1,469,813</u>	<u>16,607,830</u>	<u>—</u>	<u>60,171</u>	<u>(77,315)</u>	<u>—</u>	<u>(56,227)</u>	<u>(1,971,355)</u>	<u>16,032,917</u>	<u>1,598,063</u>	<u>17,630,980</u>

For the six months ended 30 June 2021 (unaudited)											
Attributable to owners of the parent											
	Reserves							Accumulated losses	Sub-total	Non-controlling interests	Total equity
	Share capital	Capital reserves	Surplus reserves	Other reserves due to share-based payments	Available-for-sale financial assets revaluation reserves	Foreign currency translation reserves					
1 January 2021	1,469,813	16,596,419	477	39,902	275,311	(95,333)	(2,581,239)	15,705,350	1,687,985	17,393,335	
Total comprehensive income	—	—	—	—	3,807	(19,748)	755,347	739,406	(184,345)	555,061	
Contributions from non-controlling interests	—	—	—	—	—	—	—	—	500,164	500,164	
Share-based payments	—	—	—	1,297	—	—	—	1,297	1,249	2,546	
Others	—	11,200	—	—	—	—	—	11,200	—	11,200	
30 June 2021	<u>1,469,813</u>	<u>16,607,619</u>	<u>477</u>	<u>41,199</u>	<u>279,118</u>	<u>(115,081)</u>	<u>(1,825,892)</u>	<u>16,457,253</u>	<u>2,005,053</u>	<u>18,462,306</u>	

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (unaudited)	2021 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operating activities	47(a)	(77,593)	478,276
Net cash flows (used in)/generated from operating activities		(77,593)	478,276
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other assets		(200,713)	(131,254)
Purchases of investments, net		(1,897,926)	(822,415)
Acquisition of subsidiaries and other business entities, net		(2,917)	(32,325)
Disposal of subsidiaries and other business entities, net		99,882	(3,645)
Dividends and others received from investments		812,366	1,013,129
Net cash flows (used in)/generated from investing activities		(1,189,308)	23,490
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		46,000	60,000
Repayment of borrowings		(60,000)	—
Proceeds from issue of preference shares		—	500,164
Considerations paid for redemption of preference shares		(726,961)	—
Increase/(decrease) in securities sold under agreements to repurchase, net		2,003,944	(1,140,714)
Interest paid		(137,879)	(120,123)
Principal elements of lease payments		(70,815)	(84,237)
Other cash received related to financing activities		250	762
Net cash flows generated from/(used in) financing activities		1,054,539	(784,148)
Effects of exchange rate changes on cash and cash equivalents		95,678	(46,096)
Net decrease in cash and cash equivalents		(116,684)	(328,478)
Cash and cash equivalents at the beginning of period	47(b)	3,765,029	8,218,037
Cash and cash equivalents at the end of period	47(b)	3,648,345	7,889,559

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

1. GENERAL INFORMATION

Approved by the former China Insurance Regulatory Commission (the "CIRC") of the People's Republic of China (the "PRC"), ZhongAn Online P & C Insurance Co., Ltd. (the "Company") is a joint stock company established on 9 October 2013.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in Fintech business, which provides internet insurance services, insurance information technology services and online banking services to customers.

The Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited on 28 September 2017, and its stock code is 6060.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as part of the Hong Kong Financial Reporting Standards ("HKFRSs"), and applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and therefore should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new and amended or improved standards as of 1 January 2022 as set out below.

Financial Instruments – HKFRS 9

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to HKAS 16

Onerous Contracts – Cost of Fulfilling a Contract – Amendments to HKAS 37

Annual Improvements to HKFRS Standards 2018-2020

Reference to the Conceptual Framework – Amendments to HKFRS 3

Except for the impact of adopting HKFRS 9 Financial Instruments, the other revised HKFRSs have no significant impact on the interim condensed consolidated financial information.

HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The Group was previously eligible to and elected to apply the temporary option to defer the effective date of HKFRS 9 under the amendments to HKFRS 4 'Insurance contracts'.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

On 24 March 2020, ZA Bank Limited ("ZA Bank"), a subsidiary of the Company, officially opened for business in Hong Kong. Since its opening, the banking business has developed rapidly and its customer deposits has reached RMB5,061,122 thousand at 31 December 2020, representing 17.9% of the Group's total liabilities. Management determined that there was a change in the Group's activities and the change was significant to the Group's operations. As a consequence, the Group concludes that its activities are no longer predominantly connected with insurance as a result of reassessment at 31 December 2020 and then no longer qualifies for the temporary exemption from HKFRS 9. As permitted by HKFRS 4 Amendments, the Group applied the temporary exemption from HKFRS 9 until the end of 2021 and adopted the HKFRS 9 from 1 January 2022.

The adoption of HKFRS 9 from 1 January 2022 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The new accounting policies are set out below.

In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated. The carrying values of financial assets and financial liabilities as at 1 January 2022 with adoption of HKFRS 9 are adjusted, which has an impact on the opening balances of accumulated losses and reserves. The Group discloses the related information for this period in relation to the adjustments while the comparative period has not been restated. The adoption of HKFRS 9 results in changes in the accounting policies related to recognition, classification and valuation of financial assets and financial liabilities, and the loss allowances for financial assets. The detailed accounting policies adopted in this period are as follow:

(a) Recognition and derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(b) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortized cost ("AC");
- those to be measured at fair value through other comprehensive income ("FVOCI");
- those to be measured at fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The debt investments shall be classified as FVPL if the cash flows characteristics cannot pass the test on solely payments of principal and interest on the principal amount ("SPPI"). Otherwise, the classification of debt investments will depend on the business model provided the fair value option is not elected. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

For assets measured at fair value, gains and losses will be recorded in either profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for equity investments at FVOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in net investment income together with foreign exchange gains and losses. Impairment losses are presented as net impairment losses on financial assets in the statement of comprehensive income. Such assets held by the Group mainly include cash and amounts due from banks and other financial institutions, securities purchased under agreements to resell, loans and advances to customers, financial assets at amortized cost, term deposits and restricted statutory deposits, etc.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in net investment income. Interest income from these financial assets is included in net investment income using the effective interest rate method. Foreign exchange gains and losses are presented in foreign exchange gains/(losses) and impairment expenses are presented as net impairment losses on financial assets in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. The gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within net fair value changes through profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as net investment income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in net fair value changes through profit or loss in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

(d) Impairment

From 1 January 2022, the Group assesses the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

After adopting HKFRS 9, the Group uses expected credit loss model and a “three-stage” model for impairment assessment which classifies financial instruments into 3 stages and defines each stage to calculate their corresponding impairment.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Group. The impairment provisions is measured at an amount equal to the 12-month expected credit losses for the financial assets which are not considered to have significantly increased in credit risk since initial recognition.

Stage 2: If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. The impairment provisions is measured based on expected credit losses on a lifetime basis.

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The impairment provisions is measured based on expected credit losses on lifetime basis.

For the financial instruments in Stage 1 and Stage 2, the Group calculates the interest income based on its gross carrying amount (i.e., amortized cost) before adjusting for impairment provisions using the effective interest method. For the financial instruments in Stage 3, the interest income is calculated based on the carrying amount of the asset, net of the impairment provision, using the effective interest method.

(e) Financial liabilities

At initial recognition, the Group measures a financial liability at its fair value plus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial liability.

When a financial liability (or part of it) is extinguished, the Group derecognizes the financial liability (or part of it). The difference between the carrying amount of the derecognized liability and the consideration is recognized in the statement of comprehensive income.

The Group measures financial liabilities subsequently at amortized cost, using the effective interest method. Financial liabilities of the Group mainly include securities sold under agreements to repurchase, customer deposits and bonds payable, etc.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

The impact on the Group's balance sheet as at 1 January 2022 is as follows:

	1 January 2022	31 December 2021
ASSETS	51,761,949	51,772,329
Include:		
Cash and amounts due from banks and other financial institutions	4,301,986	4,300,693
Securities purchased under agreements to resell	9,893	9,900
Loans and advances to customers	2,057,491	2,054,699
Financial assets at fair value through profit or loss	23,284,108	11,812,588
Financial assets at amortized cost	1,730,533	—
Debt financial assets at fair value through other comprehensive income	10,276,907	—
Equity financial assets at fair value through other comprehensive income	357,852	—
Interest receivables	—	283,144
Available-for-sale financial assets	—	21,979,140
Investments classified as loans and receivables	—	930,600
Held-to-maturity financial assets	—	665,736
Investments in associates and joint ventures	557,854	559,659
Term deposits	339,662	330,000
Restricted statutory deposits	306,097	298,500
Other assets	1,681,298	1,689,402
EQUITY AND LIABILITIES	51,761,949	51,772,329
Equity	19,120,195	19,130,197
Include:		
Reserves	16,540,905	16,736,782
Accumulated losses	(1,272,318)	(1,458,193)
Liabilities	32,641,754	32,642,132
Include:		
Securities sold under agreements to repurchase	5,552,913	5,548,348
Customer deposits	5,699,740	5,696,792
Bonds payable	6,406,683	6,325,021
Deferred income tax liabilities	61,568	61,946
Other liabilities	4,190,801	4,279,976

Upon initial adoption of HKFRS 9 on 1 January 2022, the Group's accumulated losses decreased by RMB185,875 thousand, reserves decreased by RMB195,877 thousand and total equity decreased by RMB10,002 thousand.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of HKFRS 9, the adjustments to the carrying value of each financial statement item are illustrated as follows:

	31 December 2021	Reclassification effects (i)	Remeasurement effects (ii)	1 January 2022
Cash and amounts due from banks and other financial institutions	4,300,693	1,293	—	4,301,986
– from interest receivables		1,293	—	
Securities purchased under agreements to resell	9,900	1	(8)	9,893
– from interest receivables		1	—	
Loans and advances to customers	2,054,699	2,792	—	2,057,491
– from interest receivables		2,792	—	
Financial assets at fair value through profit or loss	11,812,588	11,471,520	—	23,284,108
– from available-for-sale financial assets		11,351,723	—	
– from interest receivables		119,797	—	
Financial assets at amortized cost	—	1,730,887	(354)	1,730,533
– from available-for-sale financial assets		122,789	—	
– from investments classified as loans and receivables		930,600	(248)	
– from held-to-maturity financial assets		665,736	(106)	
– from interest receivables		11,762	—	
Debt financial assets at fair value through other comprehensive income	—	10,276,907	—	10,276,907
– from available-for-sale financial assets		10,146,776	—	
– from interest receivables		130,131	—	
Equity financial assets at fair value through other comprehensive income	—	357,852	—	357,852
– from available-for-sale financial assets		357,852	—	

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of HKFRS 9, the adjustments to the carrying value of each financial statement item are illustrated as follows: (continued)

	31 December 2021	Reclassification effects (i)	Remeasurement effects (ii)	1 January 2022
Interest receivables	283,144	(283,144)	—	—
– to cash and amounts due from banks and other financial institutions		(1,293)	—	
– to securities purchased under agreements to resell		(1)	—	
– to loans and advances to customers		(2,792)	—	
– to FVPL		(119,797)	—	
– to AC		(11,762)	—	
– to FVOCI		(130,131)	—	
– to term deposits		(9,719)	—	
– to restricted statutory deposits		(7,649)	—	
Available-for-sale financial assets	21,979,140	(21,979,140)	—	—
– to FVPL		(11,351,723)	—	
– to AC		(122,789)	—	
– to FVOCI		(10,504,628)	—	
Investments classified as loans and receivables	930,600	(930,600)	—	—
– to AC		(930,600)	—	
Held-to-maturity financial assets	665,736	(665,736)	—	—
– to AC		(665,736)	—	
Investments in associates and joint ventures	559,659	—	(1,805)	557,854
Term deposits	330,000	9,719	(57)	339,662
– from interest receivables		9,719	—	
Restricted statutory deposits	298,500	7,649	(52)	306,097
– from interest receivables		7,649	—	
Other assets	1,689,402	—	(8,104)	1,681,298

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

HKFRS 9 Financial Instruments – Impact of adoption (continued)

Following the adoption of HKFRS 9, the adjustments to the carrying value of each financial statement item are illustrated as follows: (continued)

	31 December 2021	Reclassification effects (i)	Remeasurement effects (ii)	1 January 2022
Securities sold under agreements to repurchase	5,548,348	4,565	—	5,552,913
– from other liabilities		4,565	—	
Customer deposits	5,696,792	2,948	—	5,699,740
– from other liabilities		2,948	—	
Bonds payable	6,325,021	81,662	—	6,406,683
– from other liabilities		81,662	—	
Deferred income tax liabilities	61,946	—	(378)	61,568
Other liabilities	4,279,976	(89,175)	—	4,190,801
– to securities sold under agreements to repurchase		(4,565)	—	
– to customer deposits		(2,948)	—	
– to bonds payable		(81,662)	—	

(i) The reclassification effects have not taken into account of the remeasurement effects.

(ii) The remeasurement effects are mainly from the change of impairment provision by the adoption of HKFRS 9.

Applying the expected credit loss model resulted in the recognition of impairment provisions of financial assets on 1 January 2022 is as follow:

	1 January 2022	31 December 2021
Securities purchased under agreements to resell	8	—
Loans and advances to customers	28,815	28,815
Financial assets at amortized cost	7,649	—
Debt financial assets at fair value through other comprehensive income	12,650	—
Interest receivables	—	96
Available-for-sale financial assets	—	9,231
Held-to-maturity financial assets	—	7,295
Term deposits	57	—
Restricted statutory deposits	52	—
Other assets	11,220	3,116
	60,451	48,553

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impact of standards issued but not yet applied

HKFRS 17

HKFRS 17 was issued in May 2017 and will replace the current HKFRS 4 Insurance Contracts. It applies to the measurement of insurance contracts issued, all reinsurance contracts and investment contracts with discretionary participating features. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

In October 2020, the Amendments to HKFRS 17 was issued. The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. The impact is expected to be significant. The Group is in the process of assessing the impact of adoption of HKFRS 17.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. SEGMENT INFORMATION

The Group’s operating segments are listed as follows:

- The insurance segment offers a wide range of online P&C insurance business;
- The technology segment provides IT related business and international IT consulting to its customers;
- The banking segment provides banking services to its customers;
- The others segment includes entities other than the insurance segment, the technology segment and the banking segment, which provides online life insurance business, insurance brokerage, medical services and etc.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group’s accounting policies. There is no difference between the accounting policies used in the preparation of the Group’s interim condensed consolidated financial information and those used in preparing the operating segment information.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Segment statement of comprehensive income for the six months ended 30 June 2022

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	10,518,489	—	—	256,092	(3,207)	10,771,374
Less: Premiums ceded to reinsurers	(183,031)	—	—	(2,883)	—	(185,914)
Net change in unearned premium reserves	(241,953)	—	—	—	—	(241,953)
Net premiums earned	10,093,505	—	—	253,209	(3,207)	10,343,507
Net investment income	274,478	390,275	52,987	14,986	(737)	731,989
Net fair value changes through profit or loss	(165,068)	(171,468)	—	(17,103)	—	(353,639)
Other income	63,491	236,357	100,089	177,907	(112,248)	465,596
Segment income	10,266,406	455,164	153,076	428,999	(116,192)	11,187,453
Net claims incurred	(5,672,317)	—	—	(261,561)	—	(5,933,878)
Handling charges and commissions	(1,099,845)	—	—	(2,179)	75,964	(1,026,060)
Foreign exchange gains/(losses)	(315,890)	(6,271)	16,244	31,440	(38,287)	(312,764)
Finance costs	(207,339)	(3,308)	(8)	(762)	737	(210,680)
General and administrative expenses	(3,359,801)	(68,425)	(315,466)	(154,567)	(20,148)	(3,918,407)
Net impairment losses on financial assets	(784)	(1,125)	(24,684)	(5,954)	—	(32,547)
Other expenses	(2,943)	(393,628)	(41,994)	(151,824)	74,968	(515,421)
Segment expenses	(10,658,919)	(472,757)	(365,908)	(545,407)	93,234	(11,949,757)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	—	1,167	—	(6,625)	880	(4,578)
Loss before income tax	(392,513)	(16,426)	(212,832)	(123,033)	(22,078)	(766,882)
Income tax	87,217	—	—	(45)	—	87,172
Net loss for the period	(305,296)	(16,426)	(212,832)	(123,078)	(22,078)	(679,710)

Segment balance sheet as at 30 June 2022

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	47,555,918	4,804,973	9,166,088	6,312,938	(13,595,794)	54,244,123
Segment liabilities	28,365,211	1,073,381	7,233,865	1,870,731	(1,930,045)	36,613,143
Segment equity	19,190,707	3,731,592	1,932,223	4,442,207	(11,665,749)	17,630,980

4. SEGMENT INFORMATION (continued)

Segment statement of comprehensive income for the six months ended 30 June 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Gross written premiums	9,841,704	—	—	4,103	(336)	9,845,471
Less: Premiums ceded to reinsurers	(616,872)	—	—	(1,343)	—	(618,215)
Net change in unearned premium reserves	(989,312)	—	—	—	44	(989,268)
Net premiums earned	8,235,520	—	—	2,760	(292)	8,237,988
Net investment income	878,564	25,184	32,613	8,738	(1,030)	944,069
Net fair value changes through profit or loss	74,717	(18,750)	—	37,246	—	93,213
Other income	113,176	274,151	41,441	113,172	(64,568)	477,372
Segment income	9,301,977	280,585	74,054	161,916	(65,890)	9,752,642
Net claims incurred	(4,070,825)	—	—	(1,248)	3	(4,072,070)
Handling charges and commissions	(1,181,322)	—	—	—	48,244	(1,133,078)
Foreign exchange gains/(losses)	51,736	(2,405)	4,285	(4,210)	4,843	54,249
Finance costs	(165,239)	(3,111)	(7)	(340)	1,026	(167,671)
General and administrative expenses	(2,909,693)	(88,234)	(213,537)	(75,708)	(42,106)	(3,329,278)
Other expenses	(3,292)	(326,582)	(71,549)	(143,094)	56,281	(488,236)
Segment expenses	(8,278,635)	(420,332)	(280,808)	(224,600)	68,291	(9,136,084)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	—	3,017	—	(17,564)	880	(13,667)
Profit/(Loss) before income tax	1,023,342	(136,730)	(206,754)	(80,248)	3,281	602,891
Income tax	5,945	(626)	—	(4,077)	—	1,242
Net profit/(loss) for the period	1,029,287	(137,356)	(206,754)	(84,325)	3,281	604,133

Segment balance sheet as at 31 December 2021

	Insurance	Technology	Banking	Others	Eliminations	Total
Segment assets	44,784,637	3,567,380	8,015,488	6,236,319	(10,831,495)	51,772,329
Segment liabilities	25,804,652	1,026,379	5,989,088	1,554,820	(1,732,807)	32,642,132
Segment equity	18,979,985	2,541,001	2,026,400	4,681,499	(9,098,688)	19,130,197

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

5. SUBSIDIARIES

(a) The Company's subsidiaries at 30 June 2022 are as follows:

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition mode
ZhongAn Information Technology Services Limited Company ("ZhongAn Technology")	Shanghai, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	RMB5,000,000	100.00%	Set-up
ZhongAn Online Insurance Broker Limited Company ("ZhongAn Insurance Broker")	Guangzhou, The PRC	Guangzhou, The PRC	Insurance Broker	RMB300,000	100.00%	Set-up
Shanghai Zhongyue Network Technology Co., Ltd. ("Shanghai Zhongyue")	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Equity purchase
ZhongAn (ShenZhen) Life Sciences Co., Ltd. ("ZhongAn Life Sciences")	Shenzhen, The PRC	Shenzhen, The PRC	Bio Technology	RMB100,000	70.00%	Set-up
Ningbo Haoyin Biotechnology Co., Ltd. ("Ningbo Haoyin")	Ningbo, The PRC	Ningbo, The PRC	Bio Technology	RMB36,600	100.00%	Set-up
Shanghai Renxin Medical Laboratory Co., Ltd. ("Shanghai Renxin")	Shanghai, The PRC	Shanghai, The PRC	Medical Examination	RMB20,000	100.00%	Controlled under contractual arrangements
Shanghai Lianmo Information Technology Co., Ltd. ("Shanghai Lianmo")	Shanghai, The PRC	Shanghai, The PRC	Technology Development/ Technology Consulting	RMB7,010	100.00%	Equity purchase
ZhongAn (Hainan) Medical Technology Co., Ltd. ("ZhongAn Medical Technology")	Hainan, The PRC	Hainan, The PRC	Medical Service	RMB50,000	100.00%	Set-up
ZhongAn (Hainan) Telemedicine Centre Ltd. ("ZA Telemedicine Centre")	Hainan, The PRC	Hainan, The PRC	Medical Service	RMB50,000	100.00%	Set-up
ZhongAn (Hainan) Internet Hospital Ltd. ("ZA Internet Hospital")	Hainan, The PRC	Hainan, The PRC	Internet Hospital	RMB50,000	100.00%	Set-up
Shanghai Haoyaoshi ZhongAn Pharmacy Co., Ltd. ("ZhongAn Pharmacy")	Shanghai, The PRC	Shanghai, The PRC	Pharmacy	RMB1,000	100.00%	Set-up
Hebei Xiongan ZhongAn Financial Service Information Technology Limited Company ("Hebei Xiongan Information")	Hebei, The PRC	Hebei, The PRC	Technology Development/ Technology Consulting	RMB3,000	100.00%	Set-up
ZA Technology Services Ltd. ("ZA Technology")	British Virgin Islands	British Virgin Islands	Technology Development/ Technology Consulting	USD0.001	100.00%	Set-up
ZhongAn (Wuxi) Information Technology Services Ltd. ("ZhongAn (Wuxi) Technology")	Jiangsu, The PRC	Jiangsu, The PRC	Technology Development/ Technology Consulting	RMB50,000	100.00%	Set-up

5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2022 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition mode
Zhongyanshe (Jiaxing) Software Training Ltd. ("Zhongyanshe")	Zhejiang, The PRC	Zhejiang, The PRC	Technology Training	RMB5,000	100.00%	Set-up
ZhongAn Technologies International Group Limited ("ZhongAn International") (i)	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	RMB3,927,838	47.32%	Set-up
ZA Tech Global Limited ("ZA Tech Global")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	USD40,000	49.00%	Set-up
ZA Tech Global (Cayman) Limited ("ZA Tech Global Cayman")	Cayman Islands	Cayman Islands	Technology Development/ Technology Consulting	USD50	100.00%	Set-up
ZA Tech Global (Singapore) Pte. Ltd. ("ZA Tech Singapore")	Singapore	Singapore	Technology Development/ Technology Consulting	HKD1,000	100.00%	Set-up
Asia Fintech Center Pte. Ltd. ("Asia Fintech Center")	Singapore	Singapore	Innovation Lab	SGD2,400	100.00%	Set-up
ZA Tech Global (Ireland) Limited ("ZA Tech Ireland")	Dublin, Ireland	Dublin, Ireland	Technology Development/ Technology Consulting	EUR1	100.00%	Set-up
PT ZATech Global Indonesia ("ZATech Indonesia") (ii)	Djakarta, Indonesia	Djakarta, Indonesia	Technology Development/ Technology Consulting	IDR81,800,000	100.00%	Set-up
ZA Tech Global (Malaysia) Sdn. Bhd. ("ZA Tech Malaysia") (iii)	Kuala Lumpur, Malaysia	Kuala Lumpur, Malaysia	Technology Development/ Technology Consulting	MYR50	100.00%	Set-up
ZATech Global Holding Pte. Ltd. ("ZATech")	Singapore	Singapore	Investment Holding	SGD10	100.00%	Set-up
Piculet Holding (Thailand) Co., Ltd. ("Piculet Holding")	Bangkok, Thailand	Bangkok, Thailand	Investment Holding	THB100	49.00%	Equity purchase
ZA Tech Brokers Thailand Co., Ltd. ("ZA Tech Brokers")	Bangkok, Thailand	Bangkok, Thailand	Insurance Broker	THB7,500	73.99%	Equity purchase
ZA Life Limited ("ZA Life")	Hong Kong, The PRC	Hong Kong, The PRC	Life Insurance	HKD1,000,000	65.00%	Set-up
ZhongAn Financial Services Limited ("ZA Financial") (iv)	Hong Kong, The PRC	Hong Kong, The PRC	Investment holding	HKD3,850,000	100.00%	Set-up
ZA Bank Limited ("ZA Bank") (v)	Hong Kong, The PRC	Hong Kong, The PRC	Virtual Bank	HKD3,850,000	100.00%	Set-up
ZA Care Limited ("ZA Care")	Hong Kong, The PRC	Hong Kong, The PRC	Technology	—	100.00%	Set-up
ZhongAn Digital Asset Group Limited ("ZA Digital Asset")	British Virgin Islands	British Virgin Islands	Digital Asset	USD50	100.00%	Set-up
ZAKC Limited ("ZAKC")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development	HKD55,700.1	51.00%	Set-up

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For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

5. SUBSIDIARIES (continued)

(a) The Company's subsidiaries at 30 June 2022 are as follows: (continued)

Name	Place of operations	Place of incorporation/ registration	Nature of business	Registered capital (thousand)	Percentage of equity	Acquisition mode
ZhongAn International Financial Services Limited ("ZA International Financial")	Hong Kong, The PRC	Hong Kong, The PRC	Technology Development/ Technology Consulting	HKD0.1	100.00%	Set-up
ZA International Insurance Broker Limited ("ZA International Insurance Broker")	Hong Kong, The PRC	Hong Kong, The PRC	Insurance Broker	HKD6,000	100.00%	Equity purchase
Zebra Credit Limited ("Zebra Credit") (vi)	Hong Kong, The PRC	Hong Kong, The PRC	Money Lender	HKD0.1	100.00%	Set-up
ZhongAn (Shenzhen) Technology Consulting Co., Ltd. ("ZhongAn Technology Consulting")	Shenzhen, The PRC	Shenzhen, The PRC	Technology Development/ Technology Consulting	USD20,000	100.00%	Set-up

* All of the subsidiaries of the Company established in the PRC are limited liability company.

- (i) On 2 March 2022, ZhongAn Technology injected RMB439,392 thousand into ZhongAn International. After this transaction, the registered capital of ZhongAn International increased to RMB3,927,838 thousand.
- (ii) On 5 April 2022, ZA Tech Global and ZA Tech Singapore injected IDR71,075,000 thousand (equal to USD4,950 thousand) and IDR725,000 thousand (equal to USD50 thousand) respectively into ZATech Indonesia. After this transaction, the registered capital of ZATech Indonesia increased to IDR81,800,000 thousand. ZA Tech Global holds 99% of voting rights of ZATech Indonesia, ZA Tech Singapore holds 1% of voting rights of ZATech Indonesia, ZhongAn International has control over ZATech Indonesia indirectly.
- (iii) On 18 April 2022, ZATech set up ZA Tech Malaysia with registered capital of MYR50 thousand. As of 30 June 2022, ZA Tech Global has not made any capital injection.
- (iv) On 25 May 2022, ZhongAn International injected HKD250,000 thousand into ZA Financial. After this transaction, the registered capital of ZA Financial increased to HKD3,850,000 thousand.
- (v) On 25 May 2022, ZA Financial injected HKD250,000 thousand into ZA Bank. After this transaction, the registered capital of ZA Bank increased to HKD3,850,000 thousand.
- (vi) On 8 March 2022, ZhongAn International set up Zebra Credit with registered capital of HKD0.1 thousand. As of 30 June 2022, ZhongAn International has not made any capital injection.
- (vii) On 26 January 2022, ZA Tech Global entered into the Share Purchase Agreement with SoftBank Corp. ("SoftBank"), to sell 400 ordinary shares of ZA Tech Japan Inc. ("ZA Japan"), representing 100% of the issued and outstanding shares of ZA Japan to SoftBank, with a total consideration of JPY1,731,370 thousand, and investment income RMB96,745 thousand was recognized due to this transaction.
- (viii) On 11 April 2022, ZhongAn International sold 100% equity of Bloom Rewards Limited ("Bloom Rewards") to Magic Strength Holdings Limited for consideration of HKD1,320 thousand. After this transaction, ZhongAn International lost control of Bloom Rewards, and investment income RMB6,409 thousand was recognized due to this transaction.

5. SUBSIDIARIES (continued)

(b) Non-controlling interests

Changes in non-controlling interests:

	ZhongAn International	ZhongAn Life Sciences	Shanghai Dexu	Total
31 December 2021	2,390,493	(14,435)	5,737	2,381,795
Total comprehensive income	(104,597)	(1,707)	(97)	(106,401)
Considerations paid to non-controlling Interests (i)	(692,500)	—	—	(692,500)
Share-based payments	15,169	—	—	15,169
30 June 2022	1,608,565	(16,142)	5,640	1,598,063

(i) On 4 March 2022, ZhongAn International redeemed 404,135,750 redeemable preference shares from Warrior Treasure Limited at a total redemption price of USD72,807 thousand, equivalent to RMB462,835 thousand and the non-controlling interests of ZhongAn International decreased by RMB435,059 thousand.

On 13 May 2022, ZhongAn International redeemed 250,000,000 redeemable preference shares from Sinolink Worldwide Holdings Limited at a total redemption price of RMB264,126 thousand and the non-controlling interests of ZhongAn International decreased by RMB257,441 thousand.

(c) At 30 June 2022, consolidated structured entities are as follows:

Name	Held by the Company (%)	Total subscription (RMB'000)	Principal activities
ZhongAn TaiKang Asset Management Plan	100.00%	3,188,473	Asset Management Product
ZhongAn LeXiang No.1 Asset Management Plan	100.00%	2,314,013	Asset Management Product
ICBC Credit Suisse Asset Management ZhongAn Insurance No.1 Asset Management Plan	100.00%	800,000	Asset Management Product
Shanghai Dexu	98.77%	400,000	Equity Investment

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For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

6. NET PREMIUMS EARNED

	Six months ended 30 June	
	2022	2021
Property and casualty insurance written premiums	5,458,439	5,111,904
Short-term life insurance written premiums	5,056,843	4,729,464
Long-term life insurance written premiums	256,092	4,103
Gross written premiums	10,771,374	9,845,471
Less: Premiums ceded to reinsurers	(185,914)	(618,215)
Net written premiums	10,585,460	9,227,256
Less: Net change in unearned premium reserves	(241,953)	(989,268)
	10,343,507	8,237,988

7. NET INVESTMENT INCOME

	Six months ended 30 June	
	2022	2021
Interest income		
– Debt investments	289,308	274,778
– Trust investment scheme	24,282	30,657
– Bank deposits	20,118	39,101
– Securities purchased under agreements to resell	1,003	2,761
Dividend income		
– Wealth management products	72,118	63,126
– Fund investments	62,644	12,360
– Equity investments	6,454	11,957
Realized gains, net	256,062	509,329
	731,989	944,069

8. NET FAIR VALUE CHANGES THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2022	2021
Financial assets at fair value through profit or loss		
– Equity investments	(145,367)	84,630
– Debt investments	(128,271)	5,378
– Wealth management products	(44,452)	12,282
– Fund investments	(35,549)	(9,077)
	(353,639)	93,213

9. OTHER INCOME

	Six months ended 30 June	
	2022	2021
Revenue from services (a)	296,949	312,054
Revenue from banking business (b)	96,372	39,204
Government grants (c)	61,244	121,313
Other	11,031	4,801
	465,596	477,372

- (a) Revenue from services includes information technology services, insurance brokerage services and other services provided by the Group.
- (b) Revenue from banking business includes interest income from loans and advances to customers and commission income.
- (c) Government grants include rental subsidies, development support funds and government subsidies related to intangible assets, and etc.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

10. NET CLAIMS INCURRED

	Six months ended 30 June	
	2022	2021
Property and casualty insurance claims paid	3,616,404	2,748,114
Short-term life insurance claims paid	2,180,276	1,456,426
Long-term life insurance death and other benefits paid	36,850	453
Gross claims paid	5,833,530	4,204,993
Less: Claims paid ceded to reinsurers	(291,633)	(206,583)
Net claims paid	5,541,897	3,998,410
Add: Net change in claim reserves and long-term life insurance reserves	391,981	73,660
	5,933,878	4,072,070

11. HANDLING CHARGES AND COMMISSIONS

	Six months ended 30 June	
	2022	2021
Handling charges and commissions before reinsurance arrangement	1,060,617	1,391,831
Less: Reinsurance commission income	(34,557)	(258,753)
	1,026,060	1,133,078

12. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2022	2021
Advertising and marketing expense	1,193,094	1,072,970
Consulting and technical fee	1,123,357	1,247,079
Employee benefit expense	931,023	569,550
Provision for/(reversal of) impairment loss	113,200	(30,876)
Depreciation of right-of-use assets	64,490	43,262
Amortization of intangible assets	60,196	50,212
Taxes and surcharges	39,536	47,120
Rental fees	30,583	9,401
Depreciation of property and equipment	13,300	15,702
Auditors' remuneration	6,600	6,600
Other	343,028	298,258
	3,918,407	3,329,278

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Six months ended 30 June 2022
Loans and advances to customers	14,613
Debt financial assets at fair value through other comprehensive income	9,287
Financial assets at amortized cost	4,015
Securities purchased under agreements to resell	569
Other	4,063
	<u>32,547</u>

14. OTHER EXPENSES

	Six months ended 30 June	
	2022	2021
Cost of providing services	256,214	252,950
Expense of providing services	207,166	197,619
Cost of banking business	41,994	33,839
Other	10,047	3,828
	<u>515,421</u>	<u>488,236</u>

15. INCOME TAX

(a) Income tax

	Six months ended 30 June	
	2022	2021
Current income tax	45	5,051
Deferred income tax (Note 37)	(87,217)	(6,293)
	<u>(87,172)</u>	<u>(1,242)</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

15. INCOME TAX (continued)

(b) Reconciliation of income tax

A reconciliation of the tax expense applicable to (loss)/profit before income tax using the applicable income tax rate to the income tax at the Group's effective tax rate is as follows:

	Six months ended 30 June	
	2022	2021
(Loss)/profit before income tax	(766,882)	602,891
Tax computed at the applicable tax rate	(155,272)	181,674
Income not subject to tax	(8,844)	(1,828)
Expenses not deductible for tax	458	558
Recognition of unrecognized prior periods' deductible temporary differences	—	(157,762)
Tax losses for which no deferred tax assets were recognized	91,915	83,625
Extra tax deductions for research and development costs	(16,036)	(8,584)
Utilization of previously unrecognized tax losses	(272)	(107,883)
Adjustments to income tax in respect of previous periods	879	8,958
Income tax at the Group's effective rate	(87,172)	(1,242)

16. (LOSS)/PROFIT PER SHARE

Basic (loss)/profit per share is calculated by dividing net (loss)/profit for the period attributable to owners of the parent by the weighted average number of shares in issue during the period. Diluted (loss)/profit per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

The calculation of (loss)/profit per share is based on the following:

	Six months ended 30 June	
	2022	2021
Net (loss)/profit for the period attributable to owners of the parent	(621,943)	755,347
Weighted average number of shares in issue (in thousand)	1,469,813	1,469,813
Basic (loss)/profit per share (RMB yuan)	(0.42)	0.51
Diluted (loss)/profit per share (RMB yuan)	(0.42)	0.51

The Company had no dilutive potential shares during the six-month period ended 30 June 2021 and 2022 respectively.

17. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
Debt financial assets at fair value through other comprehensive income		
Loss from changes in the fair value of debt instruments measured at FVOCI	(199,377)	—
Reclassification adjustments for amounts transferred to profit or loss	(17,200)	—
Change in credit risks provision of debt instruments measured at FVOCI	9,579	—
Income tax relating to debt financial assets at fair value through other comprehensive income	3,354	—
Equity financial assets at fair value through other comprehensive income		
Loss from changes in the fair value of equity instruments designated at FVOCI	(84,258)	—
Income tax relating to equity financial assets at fair value through other comprehensive income	21,065	—
Available-for-sale financial assets		
Loss from changes in the fair value of available-for-sale financial assets	—	(121,610)
Reclassification adjustments for amounts transferred to profit or loss	—	114,996
Income tax relating to available-for-sale financial assets	—	(6,292)
Exchange differences on translation of foreign operations	155,567	(36,166)
	(111,270)	(49,072)

18. CASH AND AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Cash in hand	2,433	97
Deposits with original maturity of no more than three months	1,937,867	1,961,144
Placements with banks	271,391	879,987
Due from banks and other financial institutions	816,366	1,014,198
Other monetary assets (i)	265,212	445,267
	3,293,269	4,300,693

(i) Other monetary assets refer to funds deposited by the Group for daily business operations and investment activities.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

19. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

	30 June 2022	31 December 2021
Securities - bonds		
– Inter-bank market	360,860	9,900
– Stock exchange	80,000	—
Add: Interest receivables	64	—
Less: Impairment provisions	(576)	—
	<u>440,348</u>	<u>9,900</u>

20. PREMIUM RECEIVABLES

	30 June 2022	31 December 2021
Premium receivables	5,637,309	5,247,044
Less: Provision for impairment of premium receivables	(337,483)	(232,727)
	<u>5,299,826</u>	<u>5,014,317</u>

21. REINSURANCE RECEIVABLES

	30 June 2022	31 December 2021
Reinsurance receivables	731,914	746,982
Less: Provision for impairment of reinsurance receivables	—	—
	<u>731,914</u>	<u>746,982</u>

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Analyzed by corporate and individual

	30 June 2022	31 December 2021
Individual customers	2,048,449	1,645,563
Corporate customers	1,603,625	437,951
Add: Interest receivables	5,891	—
Less: Loan loss provisions	(41,492)	(28,815)
	<u>3,616,473</u>	<u>2,054,699</u>

(b) Analyzed by type of collateral held or other credit enhancements

	30 June 2022	31 December 2021
Unsecured by collateral	2,914,664	1,885,713
Secured by collateral	737,410	197,801
Add: Interest receivables	5,891	—
Less: Loan loss provisions	(41,492)	(28,815)
	<u>3,616,473</u>	<u>2,054,699</u>

At 30 June 2022 and 31 December 2021, among the loans and advances to customers unsecured by collateral RMB208,577 thousand and RMB424,028 thousand were respectively guaranteed.

(c) Loan loss provisions

31 December 2021	(28,815)
Provision for the period	(14,612)
Reversal during the period	1,892
Write-off and transfer during the period	43
30 June 2022	<u>(41,492)</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Listed		
– Equity investments	1,385,242	67,227
– Debt investments	1,280,085	1,036,081
– Fund investments	861,140	—
Unlisted		
– Fund investments	9,187,869	2,185,400
– Debt investments	4,992,686	2,292,274
– Wealth management products	4,429,770	5,867,584
– Equity investments	369,082	364,022
	<u>22,505,874</u>	<u>11,812,588</u>

24. FINANCIAL ASSETS AT AMORTIZED COST

	30 June 2022
Listed	
– Debt investments	31,274
Unlisted	
– Trust investment schemes	881,207
– Debt investments	734,893
Less: Impairment provisions	(12,042)
	<u>1,635,332</u>

The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts.

25. DEBT FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022
Listed debt investments	5,481,699
Unlisted debt investments	6,003,213
	<u>11,484,912</u>

As at 30 June 2022, the total provision for impairment losses recognized in debt financial assets at fair value through other comprehensive income is RMB16,526 thousand.

26. EQUITY FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022
Unlisted equity investments	40,727
Listed equity investments	11,036
	<u>51,763</u>

The Group designated the portion of equity investments, which are held not for short-term price fluctuation gains, but for the dividends income arising from long-term possession, as equity financial assets at fair value through other comprehensive income.

For the six months ended 30 June 2022, dividend income recognized for such equity investments was RMB2,852 thousand including the dividend income of RMB2,830 thousand for the disposal of such equity investments. As a result of the change of investment strategies, the Group disposed certain equity investments. The carrying amount of the Group's disposal of such equity investments was RMB370,188 thousand and the cumulative losses net of tax transferred into retained earnings from other comprehensive income after disposal was RMB43,509 thousand during the period.

27. INTEREST RECEIVABLES

	31 December 2021
Debt investments	260,347
Bank deposits	18,661
Loans	2,792
Trust investment schemes	1,439
Securities purchased under agreements to resell	1
Less: Impairment provisions	(96)
	<u>283,144</u>

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

28. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2021
Listed	
– Debt investments	6,243,820
– Equity investments	678,269
– Fund investments	240,441
Unlisted	
– Debt investments	7,476,241
– Fund investments	6,031,804
– Wealth management products	1,276,619
– Equity investments	41,177
Less: Impairment provisions	(9,231)
	<u>21,979,140</u>

29. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

	31 December 2021
Trust investment scheme	930,600
Less: Impairment provisions	—
	<u>930,600</u>

The Group's maximum exposure to loss in the trust investment schemes is limited to their carrying amounts and interest receivables.

30. HELD-TO-MATURITY FINANCIAL ASSETS

	31 December 2021
Listed	
– Corporate bonds	83,669
– Government bonds	30,262
– Finance bonds	16,115
Unlisted	
– Government bonds	542,985
Less: Impairment provisions	(7,295)
	<u>665,736</u>

31. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2021	Change in accounting policy	1 January 2022	Additions	Share of profits/ (losses)	Disposal	Foreign exchange in capital reserves	30 June 2022
ZA-CP Network Technology (Shanghai) Co., Ltd. ("ZA-CP")	933	—	933	—	(746)	—	—	187
Shanghai Nuanwa Technology Co., Ltd. ("Shanghai Nuanwa")	33,876	—	33,876	—	—	—	—	33,876
Shanghai Xiaojia Financial Technology Service Co., Ltd. ("Shanghai Xiaojia") (a)	2,045	—	2,045	—	—	(2,045)	—	—
Chongqing ZhongAn Microloan Limited Company ("ZhongAn Microloan")	434,406	(1,805)	432,601	—	4,189	—	—	436,790
Shanghai Dingzuan Ltd. ("Dingzuan")	—	—	—	—	—	—	—	—
Shanghai Zhongzhirong Digital Technology Ltd. ("Zhongzhirong")	3,103	—	3,103	—	308	—	—	3,411
Shanghai Ju'A Technology Ltd. ("Shanghai Ju'A")	3,754	—	3,754	—	(2,520)	—	—	1,234
Baibao (Shanghai) Technology Co., Ltd. ("Shanghai Baibao")	366	—	366	—	(366)	—	—	—
Shanghai Nuan'an Private Investment Fund Partnership (Limited Partnership) ("Shanghai Nuan'an")	6,000	—	6,000	—	—	—	—	6,000
Nova Technology Ltd. ("Nova Technology")	—	—	—	—	—	—	—	—
A3 Holdings Inc. ("A3 Holdings") (b)	10,657	—	10,657	—	—	(10,789)	132	—
Data Enlighten (Asia) Limited ("Data Enlighten")	11,826	—	11,826	—	(446)	—	531	11,911
RD International Holdings Limited ("RD International Holdings")	30,233	—	30,233	—	(5,879)	—	1,204	25,558
PT Visionet Internasional Proteksi ("PT Visionet") (c)	22,460	—	22,460	2,917	—	(25,656)	279	—
	559,659	(1,805)	557,854	2,917	(5,460)	(38,490)	2,146	518,967

* As disclosed in Note 3.1, the Group adopted HKFRS 9 Financial instruments since 1 January 2022, changes in accounting policies were made by associates and joint ventures based on the accounting policies of the Group, and retained earnings was also adjusted. The Group made corresponding adjustment in investments in associates and joint ventures decreased by RMB1,805 thousand and accumulated losses increased by RMB1,805 thousand.

- (a) On 2 March 2022, Shanghai Xiaojia was deregistered. ZhongAn Technology received total RMB2,046 thousand and investment income of RMB1 thousand was recognized.
- (b) On 28 January 2022, ZA Tech Global Cayman entered into the Swap-Up Agreement with Grab Holdings Limited ("Grab"), a company listed on Nasdaq, to transfer 3,400,000 ordinary shares of A3 Holdings to Grab, representing 40% of the issued and outstanding shares of A3 Holdings, in exchange for the issuance and allotment to ZA Tech Global Cayman of 8,800,000 Class A ordinary shares in the capital of Grab. As at 28 January 2022, the stock price of Grab was USD5.51 per share, representing a total consideration of USD48,488 thousand and investment income RMB270,338 thousand was recognized due to this transaction.
- (c) On 9 May 2022, ZA Tech Global Cayman entered into the Swap-Up Agreement with Grab to transfer 120 ordinary shares of PT Visionet to Grab, representing 40% of the issued and outstanding shares of PT Visionet, in exchange for the issuance and allotment to ZA Tech Global Cayman of 1,290,032 Class A ordinary shares in the capital of Grab. As at 9 May 2022, the stock price of Grab was USD2.80 per share, representing a total consideration of USD3,612 thousand and investment loss RMB2,389 thousand was recognized due to this transaction.

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32. TERM DEPOSITS

Maturity Period	30 June 2022	31 December 2021
3 months to 1 year (including 1 year)	300,000	—
1 to 2 years (including 2 years)	30,000	330,000
Add: Interest receivables	1,401	—
Less: Impairment provisions	(55)	—
	331,346	330,000

33. RESTRICTED STATUTORY DEPOSITS

	30 June 2022	31 December 2021
Restricted statutory deposits	298,500	298,500
Add: Interest receivables	13,067	—
Less: Impairment provisions	(48)	—
	311,519	298,500

In accordance with relevant provision of Insurance Law of the PRC, the Company should place 20% of its share capital as restricted statutory deposits.

	30 June 2022		
	Amount	Storage	Period
China Minsheng Bank	200,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
China Everbright Bank	48,500	Term deposit	3 years
	298,500		

	31 December 2021		
	Amount	Storage	Period
China Minsheng Bank	200,000	Term deposit	3 years
Industrial and Commercial Bank of China	50,000	Term deposit	3 years
China Everbright Bank	48,500	Term deposit	3 years
Total	298,500		

34. PROPERTY AND EQUIPMENT

	Motor vehicles	Electrical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
1 January 2022	5,550	77,143	12,568	148,289	243,550
Additions	—	7,180	757	2,494	10,431
Disposals	—	(10,033)	—	—	(10,033)
30 June 2022	5,550	74,290	13,325	150,783	243,948
Accumulated depreciation and impairment					
1 January 2022	(3,379)	(43,198)	(9,463)	(125,870)	(181,910)
Depreciation	(245)	(5,958)	(559)	(9,791)	(16,553)
Disposals	—	8,882	—	—	8,882
30 June 2022	(3,624)	(40,274)	(10,022)	(135,661)	(189,581)
Net book value					
1 January 2022	2,171	33,945	3,105	22,419	61,640
30 June 2022	1,926	34,016	3,303	15,122	54,367

35. LEASES

(a) Amounts recognized in the interim condensed consolidated balance sheet

The interim condensed consolidated balance sheet shows the following amounts relating to leases:

	30 June 2022	31 December 2021
Right-of-use assets		
Buildings	305,635	177,097
Equipment	505	1,129
	306,140	178,226
Lease liabilities	355,751	203,100

Additions to the right-of-use assets during the six months ended 30 June 2022 and 2021 were RMB225,530 thousand and RMB10,205 thousand respectively.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

35. LEASES (continued)

(b) Amounts recognized in the interim condensed consolidated statement of comprehensive income

The interim condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June	
	2022	2021
Depreciation charge of right-of-use assets		
Buildings	(86,655)	(61,053)
Equipment	(510)	(580)
	(87,165)	(61,633)
Interest expense	8,387	5,913
Expense relating to short-term leases	30,583	9,401

The total cash outflow relating to leases for the six months ended 30 June 2022 and 2021 was RMB101,398 thousand and RMB93,638 thousand respectively.

36. INTANGIBLE ASSETS

	Software	Other	Total
Cost			
1 January 2022	1,252,581	3,414	1,255,995
Additions	189,381	901	190,282
Disposals	(1,813)	—	(1,813)
30 June 2022	1,440,149	4,315	1,444,464
Accumulated amortization and impairment			
1 January 2022	(777,763)	(739)	(778,502)
Amortization	(80,249)	(91)	(80,340)
Disposals	408	—	408
Impairment	(3,792)	—	(3,792)
30 June 2022	(861,396)	(830)	(862,226)
Net book value			
1 January 2022	474,818	2,675	477,493
30 June 2022	578,753	3,485	582,238

37. DEFERRED INCOME TAX ASSETS AND LIABILITIES

	30 June 2022	31 December 2021
Net deferred income tax liabilities, at the beginning of period/year	(61,946)	(1)
Change in accounting policy (Note 3.1)	378	—
Net deferred income tax liabilities, at the beginning of period/year	(61,568)	(1)
Recognized in profit or loss	87,217	(71,203)
Recognized in other comprehensive income	24,419	9,258
Net deferred income tax assets/(liabilities), at the end of period/year	<u>50,068</u>	<u>(61,946)</u>

The breakdown of deferred income tax assets and liabilities at the end of the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	30 June 2022	31 December 2021
Deferred income tax assets and liabilities		
Accumulated taxable losses	160,594	110,047
Insurance contract liabilities	240,873	266,645
Impairment loss provisions	124,623	95,012
Amortization of intangible assets	15,121	15,973
Estimated liabilities	10,629	10,629
Employee stock ownership plan	9,600	9,600
Employee benefits	3,335	2,381
Net estimated liabilities for sales return	1,065	307
Unrealized gains of structured entities	(413,513)	(420,711)
Net fair value adjustment on financial assets at fair value through profit or loss	(86,016)	(60,395)
Share of net profit of associates and joint ventures accounted for using the equity method	(9,465)	(9,465)
Net fair value adjustment and credit risks provision on debt financial assets at fair value through other comprehensive income	(6,693)	—
Net fair value adjustment on equity financial assets at fair value through other comprehensive income	(85)	—
Net fair value adjustment on available-for-sale financial assets	—	(81,969)
Net deferred income tax assets/(liabilities)	<u>50,068</u>	<u>(61,946)</u>
Represented by		
Deferred income tax assets	565,840	510,594
Deferred income tax liabilities	(515,772)	(572,540)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. At 30 June 2022, the Group did not recognize deferred income tax assets of RMB637,629 thousand in respect of deductible tax loss and other temporary differences amounting to RMB3,900,436 thousand that can be carried forward against future taxable income.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

38. OTHER ASSETS

	30 June 2022	31 December 2021
Receivable from securities clearing	1,220,002	138,000
Coinsurance expense to be reimbursed	443,912	367,868
Advanced payment	361,498	550,227
Deposits	105,437	99,279
Subrogation receivable	94,386	88,646
Estimate of input tax	93,480	42,195
Assets recognized from costs to fulfil a contract	65,112	31,863
Right to surrender cost	21,588	70,609
Others	354,032	303,831
Less: Provision for other assets	(8,598)	(3,116)
	<u>2,750,849</u>	<u>1,689,402</u>

39. SHARE CAPITAL

	30 June 2022	31 December 2021
Number of shares issued and fully paid at RMB1 yuan each	<u>1,469,813</u>	<u>1,469,813</u>

40. RESERVES

The amounts of the Group's reserves and the movements therein during the period are presented in the interim condensed consolidated statement of changes in equity.

(a) Capital reserves

Capital reserves mainly represents share premiums from issuance of shares.

(b) Surplus reserves

Surplus reserves consist of the statutory surplus reserves and the discretionary surplus reserves.

(i) *Statutory surplus reserves (the "SSR")*

According to the PRC Company Law and the articles of association of the Company, the Company is required to set aside 10% of their net profit (after offsetting the accumulated losses incurred in previous years) determined under the Accounting Standard for Business Enterprises – Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods ("PRC GAAP"), to the SSR until the balance reaches 50% of the respective registered capital.

Subject to the approval of shareholders, the SSR may be used to offset the accumulated losses, if any, and may also be converted into capital, provided that the balance of the SSR after such capitalisation is not less than 25% of the registered capital of the Company's retained profits. Since the Company has accumulated losses at its company level, no reserve has been retained.

(ii) *Discretionary surplus reserves (the "DSR")*

After making necessary appropriations to the SSR, the Company may also appropriate a portion of their net profit to the DSR upon the approval of the shareholders in general meetings.

Subject to the approval of the shareholders, the DSR may be used to offset accumulated losses, if any, and may be converted into capital.

(c) Other reserves

The investment revaluation reserve records the fair value changes of financial assets at fair value through other comprehensive income or available-for-sale financial assets. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries incorporated outside the PRC. Other reserves due to share-based payments records the fair value of share options granted to the directors and employees of the Group.

Notes to the Interim Condensed Consolidated Financial Information

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41. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

	30 June 2022	31 December 2021
Securities - bonds		
– Inter-bank market	6,897,628	4,871,777
– Stock exchange	728,600	676,571
Add: Interest payables	3,529	—
	<u>7,629,757</u>	<u>5,548,348</u>

At 30 June 2022 and 31 December 2021, debt investments of approximately RMB8,737,131 thousand and RMB5,924,605 thousand were respectively pledged as securities sold under agreements to repurchase. Securities sold under agreements to repurchase are generally repurchased within 12 months from the date the securities are sold.

42. CUSTOMER DEPOSITS

	30 June 2022	31 December 2021
Current and savings accounts		
– Individual customers	3,018,912	4,000,481
– Corporate customers	49,604	112,522
Term deposits		
– Individual customers	3,749,025	1,582,971
– Corporate customers	113,345	818
Add: Interest payables	4,245	—
	<u>6,935,131</u>	<u>5,696,792</u>

43. REINSURANCE PAYABLES

	30 June 2022	31 December 2021
Within one year	583,261	847,042
Over one year	95,450	4,342
	<u>678,711</u>	<u>851,384</u>

44. INSURANCE CONTRACT LIABILITIES

	30 June 2022		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	6,042,883	(132,766)	5,910,117
– Claim reserves	3,444,528	(138,509)	3,306,019
– Long-term life insurance reserves	362,128	(4,454)	357,674
	<u>9,849,539</u>	<u>(275,729)</u>	<u>9,573,810</u>
Incurred but not reported claim reserves	<u>1,911,321</u>	<u>(59,123)</u>	<u>1,852,198</u>

	31 December 2021		
	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
Insurance contracts liabilities			
– Unearned premium reserves	5,884,968	(216,804)	5,668,164
– Claim reserves	3,294,722	(155,590)	3,139,132
– Long-term life insurance reserves	124,527	(4,027)	120,500
	<u>9,304,217</u>	<u>(376,421)</u>	<u>8,927,796</u>
Incurred but not reported claim reserves	<u>1,919,773</u>	<u>(78,656)</u>	<u>1,841,117</u>

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(All amounts expressed in RMB'000 unless otherwise stated)

44. INSURANCE CONTRACT LIABILITIES (continued)

Movements of unearned premium reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2022	5,884,968	(216,804)	5,668,164
Premium written	10,515,282	(183,031)	10,332,251
Premium earned	(10,357,367)	267,069	(10,090,298)
30 June 2022	6,042,883	(132,766)	5,910,117

Movements of claim reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2022	3,294,722	(155,590)	3,139,132
Claims incurred	5,946,486	(274,498)	5,671,988
Claims paid	(5,796,680)	291,579	(5,505,101)
30 June 2022	3,444,528	(138,509)	3,306,019

Movements of long-term life insurance reserves

	Insurance contract liabilities	Reinsurers' share of insurance contract liabilities	Net
1 January 2022	124,527	(4,027)	120,500
Increase	274,451	(481)	273,970
Decrease			
– Long-term life insurance death and other benefits paid	(36,850)	54	(36,796)
30 June 2022	362,128	(4,454)	357,674

45. BONDS PAYABLE

On 16 July 2020, the Company issued 5-year notes in the aggregate principal amount of USD600,000 thousand at the rate of 3.125 per cent on the Hong Kong Stock Exchange.

On 8 September 2020, the Company issued 5.5 years notes in the aggregate principal amount of USD300,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange.

On 12 October 2020, the Company issued an additional notes in the aggregate principal amount of USD100,000 thousand at the rate of 3.50 per cent on the Hong Kong Stock Exchange, which was consolidated and formed a single series with the USD300,000 thousand notes issued on 8 September 2020.

31 December 2021	Change in accounting policy (Note 3.1)	1 January 2022	Premium amortization	Foreign exchange translation adjustment	30 June 2022
6,325,021	81,662	6,406,683	8,450	333,200	6,748,333

46. OTHER LIABILITIES

	30 June 2022	31 December 2021
Payables to service suppliers	1,957,927	1,543,284
Handling charges and commission payable	567,195	614,006
Salary and staff welfare payable	457,217	478,959
Deposit payable	293,619	466,260
Tax payable other than income tax	119,100	263,127
Amounts in the processing clearance and settlement	106,392	—
Estimated liabilities	102,133	108,676
Claims payable	74,815	68,204
Payables for surrender brokerage	61,972	57,068
Insurance guarantee fund	43,404	62,723
Coinsurance payable	9,153	65,546
Payables for asset management fee	4,462	69,372
Payables for securities purchased but not settled	104	1,276
Others	231,548	481,475
	4,029,041	4,279,976

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47. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation from (loss)/profit before income tax to cash (used in)/generated from operating activities:

	Six months ended 30 June	
	2022	2021
(Loss)/profit before income tax	(766,882)	602,891
Provisions for/(reversal of) impairment loss	145,747	(30,876)
Net investment income	(731,989)	(944,069)
Net fair value changes through profit or loss	353,639	(93,213)
Depreciation of property and equipment	16,553	17,809
Amortization of intangible assets	80,340	72,680
Depreciation of right-of-use assets	87,165	61,633
Foreign exchange losses/(gains)	312,764	(54,249)
Finance costs	210,680	167,671
Expense recognized for share-based payments	28,726	1,784
Increase in premium receivables	(390,265)	(1,346,137)
Decrease/(increase) in reinsurance receivables	15,068	(344,995)
Decrease/(increase) in placements with banks with original maturity of more than three months	459,716	(848,748)
Amortization of deferred income	(316)	(316)
Share of net loss of associates and joint ventures	4,578	13,667
Increase in insurance contract liabilities	646,014	1,062,914
Increase in customer deposits	1,234,094	1,342,727
Increase in other operating assets	(1,521,134)	(537,305)
(Decrease)/increase in other operating liabilities	(262,091)	1,334,408
Cash (used in)/generated from operating activities	(77,593)	478,276

47. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Cash and cash equivalents

	30 June 2022	31 December 2021
Cash in hand	2,433	97
Deposits with original maturity of no more than three months	1,937,867	1,961,144
Due from banks and other financial institutions	816,366	1,014,198
Securities purchased under agreements to resell	440,924	9,900
Placements with banks with original maturity of no more than three months	185,543	334,423
Other monetary assets	265,212	445,267
	3,648,345	3,765,029

48. RELATED PARTY TRANSACTIONS

The Company's directors were of the view that Ant Group Co., Ltd. ("Ant Group") (formerly known as Ant Small and Micro Financial Services Group Co., Ltd), Ping An Insurance (Group) Co. of China Ltd. ("Ping An Insurance"), Tencent Holdings Limited ("Tencent"), Sinolink Worldwide Holdings Limited ("Sinolink"), Nova Technology Ltd. ("Nova Technology") and Shanghai Ju'A Technology Ltd. ("Ju'A") and their subsidiaries were considered as related parties of the Group. Alibaba Group Holdings Limited ("Alibaba") and its subsidiaries were also considered as related parties of the Group given the relationship between Alibaba and Ant Group. Key management personnel and the entity controlled or jointly controlled by a person was identified as key management personnel ("key management personnel") are considered as related parties of the Group as well. The Group's transaction with related parties are conducted under the ordinary course of business.

The Group had the following major transactions with related parties:

(a) Sale of insurance contracts

	Six months ended 30 June	
	2022	2021
Tencent and its subsidiaries	59,308	14,781
Nova Technology and its subsidiaries	1,468	880
Ant Group and its subsidiaries	330	660
Alibaba and its subsidiaries	108	807
Sinolink and its subsidiaries	17	16
	61,231	17,144

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48. RELATED PARTY TRANSACTIONS (continued)

(b) Claim from insurance contracts

	Six months ended 30 June	
	2022	2021
Tencent and its subsidiaries	10,599	7,268
Alibaba and its subsidiaries	5,807	2,018
Nova Technology and its subsidiaries	294	269
Sinolink and its subsidiaries	22	23
Ant Group and its subsidiaries	3	25
	16,725	9,603

(c) Handling charges and commissions

	Six months ended 30 June	
	2022	2021
Ant Group and its subsidiaries	503,420	472,083
Nova Technology and its subsidiaries	17,342	84,819
Tencent and its subsidiaries	6,776	15,143
	527,538	572,045

(d) Technical service fees

	Six months ended 30 June	
	2022	2021
Ant Group and its subsidiaries	2,697	258,668
Tencent and its subsidiaries	235	130
	2,932	258,798

48. RELATED PARTY TRANSACTIONS (continued)**(e) Asset management fees**

	Six months ended 30 June	
	2022	2021
Ping An Insurance and its subsidiaries	4,021	7,107

(f) Fees for purchasing goods and other services

	Six months ended 30 June	
	2022	2021
Nova Technology and its subsidiaries	54,255	43,800
Alibaba and its subsidiaries	45,808	44,335
Tencent and its subsidiaries	8,470	13,522
Ant Group and its subsidiaries	3,902	26,308
Ping An Insurance and its subsidiaries	—	20,160
	112,435	148,125

Fees for purchasing goods and other services mainly include cloud rental fees, advertising fees, other IT service fees and etc.

(g) Capital transaction with Sinolink

On 13 May 2022, ZhongAn International redeemed 250,000,000 redeemable preference shares from Sinolink at a total redemption price of RMB264,126 thousand and the non-controlling interests of ZhongAn International decreased by RMB257,441 thousand.

(h) Receivables from related parties

	30 June	31 December
	2022	2021
Ping An Insurance and its subsidiaries (i)	293,583	202,700
Nova Technology and its subsidiaries	273,231	279,074
Tencent and its subsidiaries	57,183	8,678
Ju'A and its subsidiaries	4,514	4,845
Ant Group and its subsidiaries	324	—
	628,835	495,297

(i) Due to the motor co-insurance business with Ping An Property and Casualty Insurance Company of China Ltd.

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48. RELATED PARTY TRANSACTIONS (continued)

(i) Prepayments to related parties

	30 June 2022	31 December 2021
Nova Technology and its subsidiaries	42,033	43,880
Alibaba and its subsidiaries	3,702	7,643
Ant Group and its subsidiaries	—	21,170
	<u>45,735</u>	<u>72,693</u>

(j) Payables to related parties

	30 June 2022	31 December 2021
Ant Group and its subsidiaries	145,740	285,478
Nova Technology and its subsidiaries	116,093	144,416
Tencent and its subsidiaries	7,659	7,437
Alibaba and its subsidiaries	6,775	6,748
Ping An Insurance and its subsidiaries	2,641	52,528
	<u>278,908</u>	<u>496,607</u>

(k) Compensation of key management personnel

The compensations paid or payable to key management personnel are shown below:

	Six months ended 30 June	
	2022	2021
Wages, salaries and bonuses	5,917	6,907
Pension costs – defined contribution plans	332	326
Other social security costs, housing benefits and other employee benefits	355	364
	<u>6,604</u>	<u>7,597</u>

49. CONTINGENT LIABILITIES

Owing to the nature of the insurance business, the Group is involved in the making of estimates for contingencies and legal proceedings in the ordinary course of business, both in the capacity as plaintiff or defendant in litigation and arbitration. Legal proceedings mostly involve claims on the Group's insurance products. Provision has been made for the probable losses to the Group, including those claims where directors can reasonably estimate the outcome of the litigations taking into account the related legal advice, if any. No provision is made for contingencies and legal proceedings when the result cannot be reasonably estimated or the probability of loss is so low.

In addition to the above contingencies and legal proceedings relating to the claims on the Group's insurance products, at 30 June 2022, the Group has no major pending litigation that may have a material adverse effect on the financial position or operating results of the Group.

50. COMMITMENTS

The following tables provide the contractual amounts of the Group's credit commitments:

	30 June 2022	31 December 2021
Credit commitments with an original maturity of:		
– 1 year or over	29,512	61,420
– unconditionally cancellable	197,924	93,231
	227,436	154,651

51. CREDIT RISK

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfill their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risks primarily associated with its cash and amounts due from banks and other financial institutions, securities purchased under agreements to resell, loans and advances to customers, financial assets at amortized cost, debt financial assets at fair value through other comprehensive income, term deposits, restricted statutory deposits, other assets and loan commitments. The Group uses a variety of controls to identify, measure, monitor and report credit risk.

Under HKFRS 9, when considering the impairment stages for financial assets, the Group evaluates the credit risk at initial recognition and also whether there is any significant increase in credit risk for each reporting period.

Expected credit loss is the result of discounted weighted average product of "probability of default" (PD), "loss given default" (LGD), "exposure at default" (EAD) in three scenarios, which are defined as follows:

PD is the probability of default occurring of a client and its assets in a given period of time in the future.

LGD represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It is expressed as the loss percentage per unit of exposure which typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit enhancements.

EAD represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

51. CREDIT RISK (continued)

Definition of default has been consistently applied to model establishment of PD, EAD and LGD in expected credit loss calculation throughout the Group.

Meanwhile, with reference to HKFRS 9, the Group would factor in the impact of forward-looking macroeconomic information on the expected credit loss when considering the impairment of financial assets. The Group has developed macroeconomic forward-looking adjustment model by establishing a basket of factors, preparing data, filtering model factors and adjusting forward-looking elements. The basket of macroeconomic factors including Gross Domestic Products, change in money supply, unemployment rate and property price index, etc. The Group makes forward-looking adjustments to the above expected credit loss results with reference to the aforementioned factors.

The following table presents the credit risk exposure of the financial assets under the scope of expected credit loss. Without considering guarantee or any other credit enhancement measures, for the on-balance sheet assets, the maximum credit risk exposure is presented as the net carrying amount of the financial assets:

	30 June 2022			31 December 2021	
	Stage 1	Stage 2	Stage 3	Maximum credit risk exposure	Maximum credit risk exposure
Cash and amounts due from banks and other financial institutions	3,293,269	—	—	3,293,269	4,300,693
Securities purchased under agreements to resell	440,348	—	—	440,348	9,900
Loans and advances to customers	3,499,109	116,494	870	3,616,473	2,054,699
Financial assets at amortized cost	1,629,579	—	5,753	1,635,332	—
Debt financial assets at fair value through other comprehensive income	11,378,706	102,439	3,767	11,484,912	—
Interest receivables	—	—	—	—	283,144
Available-for-sale financial assets (excluding measured as FVPL)	—	—	—	—	10,146,776
Investments classified as loans and receivables	—	—	—	—	930,600
Held-to-maturity financial assets	—	—	—	—	665,736
Term deposit	331,346	—	—	331,346	330,000
Restricted statutory deposits	311,519	—	—	311,519	298,500
Other assets	1,557,249	—	—	1,557,249	807,004
Total	22,441,125	218,933	10,390	22,670,448	19,827,052

52. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The tables below summarize the maturity profiles of the financial assets and financial liabilities of the Group based on remaining undiscounted cash flows.

	30 June 2022					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Cash and amounts due from banks and other financial institutions	3,021,878	271,429	—	—	—	3,293,307
Securities purchased under agreements to resell	—	441,003	—	—	—	441,003
Premium receivables	—	5,299,826	—	—	—	5,299,826
Reinsurance receivables	—	731,914	—	—	—	731,914
Loans and advances to customers	16,127	2,160,631	1,180,999	397,821	—	3,755,578
Financial assets at fair value through profit or loss	—	1,082,402	2,215,994	4,851,816	15,627,924	23,778,136
Financial assets at amortized cost	—	310,215	1,516,171	46,114	—	1,872,500
Debt financial assets at fair value through other comprehensive income	—	2,474,459	9,414,522	928,394	—	12,817,375
Equity financial assets at fair value through other comprehensive income	—	—	—	—	51,763	51,763
Term deposits	—	382,500	31,590	—	—	414,090
Restricted statutory deposits	—	54,502	276,775	—	—	331,277
Other assets	—	1,451,812	105,437	—	—	1,557,249
Total	3,038,005	14,660,693	14,741,488	6,224,145	15,679,687	54,344,018
Liabilities:						
Borrowings	—	106,911	—	—	—	106,911
Securities sold under agreements to repurchase	—	7,632,641	—	—	—	7,632,641
Customer deposits	3,155,442	3,877,174	—	—	—	7,032,616
Reinsurance payables	—	678,711	—	—	—	678,711
Bonds payable	—	219,798	7,323,815	—	—	7,543,613
Lease liabilities	—	175,795	192,793	—	—	368,588
Other liabilities	—	3,150,029	—	—	293,619	3,443,648
Total	3,155,442	15,841,059	7,516,608	—	293,619	26,806,728

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(All amounts expressed in RMB'000 unless otherwise stated)

52. MATURITY PROFILE OF FINANCIAL INSTRUMENTS (continued)

	31 December 2021					Total
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	
Assets:						
Cash and amounts due from banks and other financial institutions	3,420,706	882,194	—	—	—	4,302,900
Financial assets at fair value through profit or loss	—	165,020	2,086,970	1,890,311	8,484,233	12,626,534
Securities purchased under agreements to resell	—	9,901	—	—	—	9,901
Premium receivables	—	5,014,317	—	—	—	5,014,317
Reinsurance receivables	—	746,982	—	—	—	746,982
Available-for-sale financial assets	—	3,361,902	7,390,686	5,104,546	8,268,310	24,125,444
Held-to-maturity financial assets	—	28,838	698,767	48,859	—	776,464
Investments classified as loans and receivables	—	223,283	879,567	—	—	1,102,850
Loans and advances to customers	7,254	1,137,416	974,751	15,525	—	2,134,946
Term deposits	—	—	414,090	—	—	414,090
Restricted statutory deposits	—	54,502	276,775	—	—	331,277
Other assets	—	707,725	99,279	—	—	807,004
Total	3,427,960	12,332,080	12,820,885	7,059,241	16,752,543	52,392,709
Liabilities:						
Borrowings	—	122,132	—	—	—	122,132
Securities sold under agreements to repurchase	—	5,552,913	—	—	—	5,552,913
Customer deposits	4,113,003	1,584,264	—	—	—	5,697,267
Reinsurance payables	—	851,384	—	—	—	851,384
Bonds payable	—	208,804	7,046,742	—	—	7,255,546
Lease liabilities	—	120,142	87,766	—	—	207,908
Other liabilities	—	2,975,064	—	—	466,260	3,441,324
Total	4,113,003	11,414,703	7,134,508	—	466,260	23,128,474

53. FAIR VALUE MEASUREMENT

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

At 30 June 2022, the Group's financial assets mainly include cash and amounts due from banks and other financial institutions, securities purchased under agreements to resell, loans and advances to customers, financial assets at fair value through profit or loss, financial assets at amortized cost, financial assets at fair value through other comprehensive income, term deposit, restricted statutory deposits and etc.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the interim condensed consolidated financial information are categorized within the fair value hierarchies. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

- (a) Fair value is based on quoted prices (unadjusted) in active markets for identical assets or liabilities ("Level 1");
- (b) Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ("Level 2"); and
- (c) Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs) ("Level 3").

The level of fair value calculation is determined by the lowest level input with material significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities. Debt securities traded among Chinese interbank market are classified as Level 2 when they are valued at recent quoted price from Chinese interbank market or from valuation service providers. Substantially most financial instruments classified within Level 2 of the fair value hierarchy are debt investments denominated in RMB. Fair value of debt investments denominated in RMB is determined based upon the valuation results by the China Central Depository & Clearing Co., Ltd, China Securities Depository and Clearing Corporation Limited and Shanghai Clearing House. All significant inputs are observable in the market.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques. The Group's valuation team may choose to apply internally developed valuation method to the assets or liabilities being measured, determine the main inputs for valuation, and analyze the change of the valuation and report it to management. Key inputs involved in internal valuation services are not based on observable market data. They reflect assumptions made by management based on judgements and experiences.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

53. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	30 June 2022			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	10,049,009	—	—	10,049,009
– Debt investments	1,280,085	4,992,686	—	6,272,771
– Wealth management products	3,731,845	697,925	—	4,429,770
– Equity investments	1,373,466	11,249	369,609	1,754,324
Financial assets at fair value through other comprehensive income				
– Debt investments	5,481,699	6,003,213	—	11,484,912
– Equity investments	11,036	—	40,727	51,763
	<u>21,927,140</u>	<u>11,705,073</u>	<u>410,336</u>	<u>34,042,549</u>
Assets for which fair values are disclosed				
Financial assets at amortized cost	<u>30,578</u>	<u>691,067</u>	<u>895,698</u>	<u>1,617,343</u>
Liabilities for which fair values are disclosed				
Bonds payable	<u>—</u>	<u>—</u>	<u>6,096,471</u>	<u>6,096,471</u>

53. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Fund investments	2,185,400	—	—	2,185,400
– Debt investments	924,214	2,404,141	—	3,328,355
– Wealth management products	5,093,448	774,136	—	5,867,584
– Equity investments	30,956	36,271	364,022	431,249
Available-for-sale financial assets				
– Debt investments	5,811,398	7,899,432	—	13,710,830
– Fund investments	6,272,245	—	—	6,272,245
– Wealth management products	1,276,619	—	—	1,276,619
– Equity investments	677,139	1,130	41,177	719,446
	<u>22,271,419</u>	<u>11,115,110</u>	<u>405,199</u>	<u>33,791,728</u>
Assets for which fair values are disclosed				
Investments classified as loans and receivables	—	—	953,716	953,716
Held-to-maturity financial assets	583,791	85,237	—	669,028
	<u>583,791</u>	<u>85,237</u>	<u>953,716</u>	<u>1,622,744</u>
Liabilities for which fair values are disclosed				
Bonds payable	—	—	6,147,812	6,147,812

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For the six months ended 30 June 2022

(All amounts expressed in RMB'000 unless otherwise stated)

53. FAIR VALUE MEASUREMENT (continued)

Determination of fair value and fair value hierarchy (continued)

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

Unlisted equity investments	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Available- for-sale financial assets
31 December 2021	364,022	—	41,177
Change in accounting policy (Note 3.1)	450	40,727	(41,177)
1 January 2022	364,472	40,727	—
Increase	5,541	—	—
Net unrealized gain recognized in total comprehensive income	(404)	—	—
30 June 2022	369,609	40,727	—

Valuation techniques

The fair value of the unquoted debt investments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, with appropriate adjustment where applicable.

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments have been made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

54. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorized for issue by the directors of the Company on 25 August 2022.

Definitions

“Ant Group”	Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a limited liability company incorporated in the PRC (established on October 19, 2000, its name was Zhejiang Alibaba E-Commerce Co., Ltd. (浙江阿里巴巴電子商務有限公司) back then) and one of our substantial shareholders
“APIs”	application programming interfaces
“Bestpay”	China Telecom Bestpay E-commerce Ltd. (天翼電子商務有限公司), a company established in the PRC and a wholly-owned subsidiary of China Telecom Corporation Limited (Hong Kong Stock Exchange stock code: 728; NYSE stock code: CHA)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the Board of Directors of our Company
“CAGR”	compounded annual growth rate
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Chief Executive(s)”	has the meaning ascribed to it under the Listing Rules
“CIRC”	the China Insurance Regulatory Commission (中國保險監督管理委員會)
“Company”, “Our Company”, “ZhongAn”, “we” or “us”	ZhongAn Online P & C Insurance Co., Ltd. (眾安在綫財產保險股份有限公司), a joint stock limited company with limited liability incorporated in the PRC on October 9, 2013
“Director(s)”	the director(s) of our Company
“Domestic Shares”	ordinary shares issued by the Company, with a nominal value of RMB1, which are subscribed for or credited as paid in RMB
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Grab”	Grab Holdings Limited, a leading O2O platform in Southeast Asia, with which ZATI has formed a joint venture company, GrabInsure, and listed on the NASDAQ Stock Market (stock code: GRAB)
“Group”, “we”, “our” or “us”	the Company and its subsidiaries, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries could be viewed as if they were the subsidiaries of the Company at the time
“H Shares”	the overseas listed foreign invested ordinary shares in the ordinary share capital of the Company, with a nominal value of RMB1 each, which are to be subscribed for and traded in Hong Kong dollars, and a “H Share” means any of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“iQIYI”	iQIYI, Inc. (formerly known as “Ding Xin, Inc.” and “Qiyi.com, Inc.”), a company incorporated in Cayman Islands and listed on the NASDAQ Global Market (stock code: IQ)
“JPY”	Japanese yen, the lawful currency of Japan
“Latest Practicable Date”	August 25, 2022, being the latest practicable date for ascertaining certain information in this interim report before its publication

Definitions

“Lexin”	LexinFintech Holdings Ltd., a Cayman Islands company, and listed on the NASDAQ Global Market (stock code: LX)
“Listing”	the listing of the H shares on the Main Board of the Hong Kong Stock Exchange
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“NYSE”	New York Stock Exchange
“Ping An Insurance”	Ping An Insurance (Group) Co. of China, Ltd. (中國平安保險(集團)股份有限公司), a joint stock limited company established in the PRC on March 21, 1988 listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 02318) and the Shanghai Stock Exchange (SSE: 301318), and one of our substantial shareholders
“Ping An P&C”	Ping An Property and Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a subsidiary of Ping An Insurance
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated September 18, 2017
“R&D”	research and development
“RMB” or “Renminbi”	the lawful currency of PRC
“ROI”	return on investment
“Reporting Period”	the six months ended June 30, 2022
SaaS”	Software as a Service, a software deployment model under which cloud providers license software applications to users as a service
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	the shares in the share capital of our Company with a nominal value of RMB1 each
“Shareholder(s)”	the holders of the Shares
“Sinolink Worldwide”	Sinolink Worldwide Holdings Limited (百仕達控股有限公司), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1168)
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	members of the Supervisory Committee of the Company
“Supervisory Committee”	the supervisory committee of the Company established pursuant to the Company Law of the PRC (中華人民共和國公司法)
“Taobao”	an e-commerce platform of Alibaba
“Tencent”	Tencent Holdings Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange (stock code: 700)

“Tencent Computer System”	Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司), a limited liability company incorporated in the PRC on November 11, 1998, one of our substantial shareholders and a subsidiary of Tencent
“Tmall”	Tmall.com (天貓), an online platform created by Alibaba
“USD” or “US\$”	United State dollars, the lawful currency of the United States of America
“ZA Bank”	ZA Bank Limited (眾安銀行有限公司), a subsidiary of our Company, incorporated in Hong Kong on August 8, 2018
“ZA Life”	ZA Life Limited (眾安人壽有限公司), a subsidiary of our Company, incorporated in Hong Kong on February 27, 2019
“ZA Life Share Option Scheme”	a share option scheme of ZA Life adopted by the Shareholders on December 29, 2020
“ZA Tech”	ZA Tech Global Limited, a non-wholly owned subsidiary of ZATI and a company incorporated in Hong Kong with limited liability
“ZA Tech RSU Scheme”	a restricted share unit scheme of ZA Tech adopted on June 24, 2021
“ZA Tech Share Option Scheme”	a share option scheme of ZA Tech adopted by the Shareholders on December 29, 2020
“ZATI” or “ZhongAn International”	ZhongAn Technologies International Group Limited (眾安科技(國際)集團有限公司), a non-wholly owned subsidiary of the Company and a company incorporated in Hong Kong with limited liability
“ZATI RSU Scheme”	a restricted share unit scheme of ZATI adopted on September 15, 2020
“ZATI Share Option Scheme”	a share option scheme of ZATI adopted by the Shareholders on December 29, 2020
“ZhongAn Technology”	ZhongAn Information and Technology Services Co., Ltd. (眾安信息技術服務有限公司), a wholly-owned subsidiary of our Company, incorporated in the PRC on July 7, 2016
“%”	per cent

Glossary

“AI”	artificial intelligence
“cede”	the transfer of all or part of a risk written by an insurer to a reinsurer
“claim”	an occurrence that is the basis for submission and/or payment of a benefit under an insurance policy. Depending on the terms of the insurance policy, a claim may be covered, limited or excluded from coverage
“commission”	a fee paid to an agent or broker by an insurance company for services rendered in connection with the sale or maintenance of an insurance product
“customer”	unless otherwise indicated, the insured under our insurance policies. The number of our customers was calculated based on unique identifiers and contact information available to us
“gross written premiums” or “GWP”	total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
“handling charges and commissions”	fees paid to insurance agents for the distribution of our products
“insured”	the insured person as specified in the insurance product
“Insurtech”	use of technology innovations designed to achieve savings and efficiency from the traditional insurance industry model
“net investment income”	the sum of interest income, dividend income and realized gains or losses on securities through profit or loss and available-for-sale securities
“net premiums earned”	net written premiums less net change in unearned premium reserves during a period
“O2O”	online to offline business model
“premium”	payment and consideration received on insurance policies issued or reissued by an insurance company
“reinsurance”	the practice whereby a reinsurer, in consideration of a premiums paid to it, agrees to indemnify another party for part or all of the liabilities assumed by the reinsured party under an insurance contract, which the reinsured party has issued
“reserves”	liability established to provide for future payments of claims and benefits to policyholders net of liability ceded to reinsurance companies
“unearned premium reserves”	portions of written premiums relating to unexpired risk of insurance coverage